NEOGEN CORP
Form PRE 14A
August 16, 2018
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SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a)

OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section240.14a-12

Neogen Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box)

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid: ______________________________

2) Form, Schedule or Registration Statement No.: ______________________________

3) Filing Party: ______________________________

4) Date Filed: ______________________________

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August 28, 2018

To Our Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Neogen Corporation on Thursday, October 4, 2018, at 10:00 a.m. Eastern Time. The Annual Meeting will be held at the University Club of Michigan State University, located at 3435 Forest Road, Lansing, Michigan 48910.

The Annual Meeting will feature a report on Neogen s business activities, voting on the election of directors and other important proposals. We also will have product displays and product demonstrations by Company personnel. On the following pages you will find the notice of the Annual Meeting of Shareholders and the proxy statement.

It is important that your shares are represented at the Annual Meeting, regardless of how many shares you own. Whether or not you plan to attend the Annual Meeting, **please sign, date and return the enclosed proxy card as soon as possible**. Sending a proxy card will not affect your right to vote in person if you attend the meeting.

Sincerely,

John E. Adent

President & Chief Executive Officer

Your vote is important. Even if you plan to attend the meeting,

PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY.

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620 Lesher Place

Lansing, MI 48912

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS OF NEOGEN CORPORATION

Date: October 4, 2018

Time: 10:00 a.m., Eastern Time

Place: The University Club of Michigan State University, 3435 Forest Road, Lansing, Michigan 48910
Items of Business:

1. The election of three Class I directors, each to serve for a three year term or until his or her successor has been duly elected and qualified;

2. To approve an amendment to the Company s Restated Articles of Incorporation, as amended, to increase the number of authorized shares of Common Stock from 60,000,000 to 120,000,000;

3. To approve the establishment of the Neogen Corporation 2018 Omnibus Incentive Plan;

4. To approve by non-binding vote, the compensation of our named executive officers;

5. To ratify the appointment of BDO USA, LLP as the Company s independent registered public accounting firm for the fiscal year ending May 31, 2019;

To act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.
The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

All shareholders are cordially invited to attend the meeting. At the meeting, you will hear a report on the Company s business and have a chance to meet the directors and executive officers. A copy of the 2018 Annual Report is enclosed.

Only shareholders of record at the close of business on August 7, 2018 are entitled to notice of, and to vote at, the meeting.

Your vote is important. Please vote your shares promptly, even if you plan to attend the Annual Meeting. Complete, sign, date and return your proxy card to vote your shares. Any shareholder attending the Annual Meeting may vote in person even if he or she previously returned a proxy.

Steven J. Quinlan

Secretary

August 28, 2018

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Neogen Corporation

620 Lesher Place

Lansing, MI 48912

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

October 4, 2018

GENERAL INFORMATION

These proxy materials are provided in connection with the solicitation by the Board of Directors (the Board) of proxies to be used at the Annual Meeting of Shareholders (the Annual Meeting) of Neogen Corporation (the Company) to be held on Thursday, October 4, 2018 at 10:00 a.m., Eastern Time, at the University Club of Michigan State University, located at 3435 Forest Road, Lansing, Michigan 48910, and at any adjournment of the meeting. These proxy materials are first being sent to shareholders on or about August 30, 2018.

There are five proposals scheduled to be voted on at the Annual Meeting:

- Proposal to elect three Class I directors to the Board to serve for a three year term or until his or her successor has been duly elected and qualified;
- Proposal to approve an amendment to the Company s Restated Articles of Incorporation, as amended, to increase the number of authorized shares of Common Stock from 60,000,000 to 120,000,000;
- Proposal to approve the establishment of the 2018 Omnibus Incentive Plan;
- Proposal to approve by non-binding vote, the compensation of our named executive officers; and
- Ratification of the appointment of BDO USA, LLP as the Company s independent registered public accounting firm for the fiscal year ending May 31, 2019.

Revocation of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its exercise by the filing of a written notice of revocation with our Secretary, by delivering to our Secretary a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

Voting and Solicitation

All shares represented by a properly executed proxy will be voted unless the proxy is revoked. If a choice is specified, it will be voted in accordance with that specification. If no choice is specified, the proxy holders will vote the shares in accordance with the recommendations of the Board, which are set forth with the discussion of each matter later in this Proxy Statement. With respect to any matter not set forth on the proxy card that properly comes before the Annual Meeting, the proxy holders named in the proxy card will vote as the Board recommends or, if the Board makes no recommendation, at the Board s discretion.

In summary, the Board recommends that you vote:

FOR the election of the nominees for directors to the Board;

FOR the increase in the number of authorized shares of Common Stock;

FOR the establishment of the 2018 Omnibus Incentive Plan;

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FOR the proposal to approve, by non-binding vote, the compensation of our named executive officers; and

FOR ratification of the appointment of BDO USA, LLP as the Company s independent registered public accounting firm for the fiscal year ending May 31, 2019.

All shareholders at the close of business on August 7, 2018, the record date for the meeting, are entitled to vote at the meeting. On August 7, 2018 there were 51,833,882 shares of the Company s common stock outstanding. For each proposal, each shareholder is entitled to one vote for each share of the Company s common stock owned at that time.

If you are a shareholder of record, you may vote by mail by completing, dating and signing your proxy card and mailing it in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as officer of a corporation, guardian, executor, trustee or custodian) you should indicate your name and title or capacity. You may also vote via the internet or telephone. Your proxy card will contain instructions for voting utilizing either of these methods.

You may also vote in person at the Annual Meeting or may be represented by another person at the meeting after designating that person by executing a proper proxy.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you will receive instructions from the street name holder that you must follow in order to have your shares voted.

If your shares are held in street name and you wish to vote in person at the meeting, you must obtain a proxy issued in your name from the street name holder.

If you are a beneficial owner of shares held in street name, you may submit new voting instructions by contacting your brokerage firm, bank or other holder of record.

A broker non-vote occurs when a shareholder holds his or her stock through a broker and the broker does not vote those shares. This usually occurs because the broker has not received timely voting instructions from the shareholder and the broker does not have discretionary voting power for the particular item upon which the vote is taken. Under applicable law and the New York Stock Exchange (the NYSE) rules and regulations, brokers have the discretion to vote on routine matters, such as the ratification of the appointment of the Company s independent auditors. We believe the other proposals may not be considered routine matters under applicable NYSE rules.

It is important that you instruct your broker how to vote shares held by you in street name using the vote instruction form provided by your broker. Your broker should vote your shares as you direct if you provide timely instructions on how to vote by following the information provided to you by your broker.

A majority of the outstanding shares entitled to vote, present in person or by proxy, shall constitute a quorum at the Annual meeting. A plurality of the votes cast is required to elect directors to the Board. This means that the nominees who receive the most votes will be elected to the open Board positions. In counting votes on the election of the Board, abstentions, broker non-votes and other shares not voted will be counted as not cast.

Each of the proposals to approve the 2018 Omnibus incentive Plan, to approve the compensation of our named executive officers, and to ratify the appointment of BDO USA, LLP as the independent registered public accounting firm for 2019 will be approved if a majority of the vote cast at the meeting are voted in favor of such proposal. Abstentions, broker non-votes and other shares not voted will be counted as not cast. The proposal to increase the number of authorized shares of common stock will be approved if the majority of the outstanding shares entitled to vote are cast in favor of the proposal.

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As to the election of directors to the Board, the three Class I nominees who receive the greatest number of votes will be elected to a three-year term. In accordance with the Company s Governance guidelines, in an uncontested election (i.e., an election where the only nominees are those recommended by the Board), any nominee for the Board who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote) shall promptly tender his or her resignation to the Board for consideration in accordance with the procedures described below, following certification of the shareholder vote. The Governance Committee of the Board (the Governance Committee) shall promptly consider the resignation offer and recommend to the Board action with respect to the tendered resignation, which may include accepting the resignation, rejecting the resignation but addressing the underlying cause of the withheld votes, determining not to re-nominate the director in the future, or any other action the Governance Committee deems to be appropriate and in the best interests of the Company.

In considering what action to recommend with respect to the tendered resignation, the Governance Committee will take into account all factors deemed relevant by the members of the Governance Committee including, without limitation, any stated reasons why shareholders withheld votes for election from such director, the length of service and qualifications of the director whose resignation has been tendered, the overall composition of the Board, the director s contributions to the Company, the mix of skills and backgrounds on the Board, whether accepting the tendered resignation would cause the Company to fail to meet any applicable requirements of the Securities and Exchange Commission (the SEC) or NASDAQ Global Select Market (NASDAQ), and the Company s Governance Guidelines. The Board will act on the Governance Committee s recommendation no later than 90 days following certification of the shareholder vote. In considering the Governance Committee s recommendation, the Board will consider the factors and possible actions considered by the Governance Committee and such additional information, factors and possible actions as the Board believes to be relevant or appropriate. To the extent that one or more directors resignations are accepted by the Board, the Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

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PROPOSALS FOR SHAREHOLDER ACTION

PROPOSAL 1 ELECTION OF DIRECTORS

The Company s Bylaws provide that the Company shall have at least five and no more than nine directors, with the exact number to be determined by the Board. The Board is currently comprised of nine directors. The directors are classified into three classes to serve for the terms set forth next to their names or until their successors have been duly qualified and elected.

Unless otherwise instructed, proxy holders will vote the proxies received by them for the election of the nominees named below. Each of the three nominees for director are currently directors of the Company. If any nominee becomes unavailable for any reason, it is intended that the proxies will be voted for a substitute nominee designated by the Board. The Board has no reason to believe that the nominees named will be unable to serve if elected. Any vacancy occurring on the Board for any reason may be filled by vote of a majority of the directors then in office for the full term of the class in which the vacancy occurs.

Nominees	Expiration of Proposed Term
Class I:	
James C. Borel	2021
Ronald D. Green, Ph.D.	2021
Darci L. Vetter	2021

Directors continuing in office	Expiration of Term
Class II:	
William T. Boehm, Ph.D.	2019
Jack C. Parnell	2019
James P. Tobin	2019
Class III:	
James L. Herbert	2020
G. Bruce Papesh	2020
Thomas H. Reed	2020

Name of Director	Age	Position	Director Since
James L. Herbert	78	Executive Chairman of the Board	1982
William T. Boehm, Ph.D. (3*)	71	Director	2011
James C. Borel (2) (3)	62	Director	2016
Ronald D. Green, Ph.D. (1*) (4)	57	Director	2014
G. Bruce Papesh (4*)	71	Director	1993
Jack C. Parnell (1) (2*) (4) (5)	83	Director	1993
Thomas H. Reed (3) (4)	73	Director	1995
James P. Tobin (1) (4)	62	Director	2016
Darci L. Vetter (2)	44	Director	2017

(1) Member, Compensation Committee
(2) Member, Stock Option Committee
(3) Member, Audit Committee
(4) Member, Governance Committee
(5) Lead Independent Director
* - Denotes Chairperson of Committee

The following is a brief summary of the business experience for at least the past five years of each of the nominees and for the current members of the Board.

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Nominees for the Board of Directors:

James C. (Jim) Borel retired in 2016 from DuPont, where he was Executive Vice President since 2009 and a member of DuPont s Office of the Chief Executive, with responsibility for the agriculture and food ingredients businesses of DuPont as well as the corporate functions of Sustainability and Government Affairs. Mr. Borel has over 40 years of experience in the agriculture and food industries, with extensive international experience including three assignments abroad and responsibilities extending beyond the U.S. for over 25 years. Mr. Borel is a member of the board of directors of Farmers Edge, JUST, Inc. and Renewable Energy Group. He is also on the board of advisors for Sajjan India, Ltd. and the boards of trustees of the University of Delaware, the Farm Foundation, the Alpha Gamma Rho Educational Foundation, and the National 4-H Council. Mr. Borel is a National Association of Corporate Directors Governance Fellow, demonstrating his commitment to the highest standards of boardroom excellence. His knowledge of the agricultural and food industries, and his international experience bring significant value to the Board.

Dr. Ronald D. Green Ph. D. was appointed Chancellor of the University of Nebraska-Lincoln in April 2016. Prior to that appointment, he was the Harlan Vice Chancellor of the Institute of Agriculture and Natural Resources and Vice President for Agriculture and Natural Resources of the University of Nebraska system since 2010. Dr. Green served as senior global director of technical services at Pfizer Animal Health s animal genomics business from 2008 to 2010. He was on faculty at Texas Tech University and Colorado State, and was the national program leader for animal production research for the USDA s Agricultural Research Service and executive secretary of the White House s interagency working group on animal genomics within the National Science and Technology Council. In that role, he was a leader in the international bovine, porcine and ovine genome sequencing projects. Dr. Green is a past president of the American Society of Animal Science (ASAS) and the National Block and Bridle Club, and has served in a number of leadership positions for the U.S. Beef Improvement Federation, National Cattlemen s Beef Association, National Pork Board, Federated Animal Science Societies, and the National Research Council. Dr. Green was named a fellow of ASAS in 2014. Dr. Green s experience in genomics and animal production research brings great value and insight to the Board.

Ambassador Darci L. Vetter is General Manager and Vice Chair for Food, Agriculture and Trade at Edelman, a global communications firm. She previously served as an international trade consultant and Diplomat in Residence at the University of Nebraska-Lincoln. In July 2014, she was appointed as the Chief Agricultural Negotiator for the U.S. Trade Representative; she held the position until January 2017. From 2010 to 2014, she served as Deputy Under Secretary of Agriculture for Farm and Foreign Agricultural Services and, from 2007 to 2010, she was an International Trade Advisor on the U.S. Senate Committee on Finance. Prior to working in the Senate, Ms. Vetter held numerous roles at the Office of the United States Trade Representative, including Director for Agricultural Affairs from 2005 to 2007. Ms. Vetter received a B.A. from Drake University and an M.P.A. and Certificate in Science, Technology, and Environmental Policy from the Woodrow Wilson School of Public and International Affairs at Princeton University. Her experience in international trade and agriculture brings significant value to the Board.

The Board of Directors recommends a vote FOR the above nominees.

Other current members of the Board:

Dr. William T. Boehm Ph.D. is a retired Senior Vice President of The Kroger Co. and former Senior Economist for the President s Council of Economic Advisors under President Carter. Dr. Boehm joined The Kroger Co. in 1981 as Director of Economic Research and held positions of increasing responsibility with that company until his retirement in 2008. During the 1990 s, he held senior executive positions in both Procurement and Logistics and was made Senior Vice President and a Corporate Officer. In 2004, Dr. Boehm was promoted to President of the Kroger Manufacturing Division. He served on the board of Greatwide Logistics, a logistics services company, from 2009-2015 and currently serves on the boards of FLM/Harvest, a strategic planning, issues management and advertising firm working exclusively with farm and food clients, and GLK Foods, a

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producer, processor and marketer of specialty food products including sauerkraut. He remains active in professional associations and academia. Dr. Boehm s wealth of experience in agriculture and virtually all aspects of the food service industry make him well qualified to serve on the Board.

James L. Herbert is Executive Chairman of the Board of the Company. He had been the Chief Executive Officer and Chairman of the Board since 2006; he resigned as Chief Executive Officer on July 17, 2017, when John Adent was named to that role. Prior to 2006, he had been President, Chief Executive Officer, and a director of the Company since he founded it in June 1982. Prior to joining the Company, he held the position of Corporate Vice President of DeKalb Ag Research, a major agricultural genetics and energy company. He has management experience in animal biologics, specialized chemical research, medical instruments, aquaculture, animal nutrition, and poultry and livestock breeding and production.

G. Bruce Papesh was elected to the Board in October 1993 and was the Company s Secretary from October 1994 to October 1999. Since 1987, Mr. Papesh has served as President of Dart, Papesh & Company, Inc., member of SIPC and FINRA, an investment consulting and financial services firm. Mr. Papesh also served until October 1, 2001 on the board of directors of Immucor, Inc., an immunodiagnostics company that manufactures and markets products for the human clinical blood bank industry. Mr. Papesh has experience in the investment securities industry and in financial analysis which contributes greatly to the Board.

Jack C. Parnell was elected to the Board in October 1993 and was elected Chairman of the Board in October 2001. In 2006, Mr. Parnell resigned as Chairman of the Board, but remained a director. Since 1991, he has held the position of Governmental Relations Advisor with the law firm of Kahn, Soares and Conway in Sacramento, California. In 1989, Mr. Parnell was appointed by President George H. W. Bush to serve as Deputy Secretary of the U.S. Department of Agriculture. From 1983 to 1989, he served in three different senior governmental positions for the state of California, including Secretary of the California Department of Food and Agriculture from 1987 to 1989. Mr. Parnell s service in senior governmental positions in the state of California and U.S. Department of Agriculture allows him to uniquely advise the Board and management on matters of government relations and regulation. It is because of this experience as well as his general business knowledge that he is most valuable as a member of the Board.

Thomas H. Reed was elected to the Board in October 1995 and served as the Company s Secretary from October 1999 to October 2007. From 2009 to 2010 he was a consultant to the President of JBS Packerland North America. From 2003 to 2009, Mr. Reed was Senior Vice President of JBS Packerland, a beef processing company and its successor companies, Smithfield Foods, Beef Division, and JBS Packerland North America. Prior to assuming that position, he served as Vice President of Michigan Livestock Exchange Marketing, a division of Southern States Cooperative, Inc. and prior to that as President and Chief Executive Officer of the Michigan Livestock Exchange. Mr. Reed is a former member of the board of directors of the National Livestock Producers Association and is a former chairman of the Michigan State University Board of Trustees. Mr. Reed s experience in animal processing and general agriculture provide insight and value to the Board.

James P. Tobin spent more than 31 years with Monsanto, beginning his career in 1983 and holding leadership roles across the company, including positions in sales management, marketing, new product development, seed integration and industry affairs. His last leadership role, prior to retirement in 2014, was Vice President, Industry Affairs. Mr. Tobin has worked to advance agriculture through leadership roles in key organizations, including serving as Chairman of the American Seed Trade Association from 2005 to 2006. He has also supported youth in agriculture, focusing on leadership development through his work with the Missouri and National 4-H Foundations. Mr. Tobin is a Governor for the Iowa State University Foundation, a past board member of the U.S. Grain Council, a past board member and chairman of the FarmHouse Fraternity Foundation and a member of the Farm Foundation Roundtable. His knowledge of the agricultural industry and his business acumen bring significant value to the Board.

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PROPOSAL 2 TO APPROVE AN AMENDMENT TO THE COMPANY s RESTATED ARTICLES OF INCORPORATION, AS AMENDED, TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The Board has unanimously approved, and recommended that our shareholders approve, an amendment to the Company s Restated Articles of Incorporation, as amended (the Articles of Incorporation), to increase the number of authorized shares of the Company s Common Stock, $0.16 par value per share (the Common Stock), from 60,000,000 to 120,000,000.

Article III of the Company s Articles of Incorporation presently provides for an authorized capitalization of the Company of 60,000,000 shares of Common Stock with $0.16 par value per share and a series of preferred stock consisting of 100,000 shares with a $1.00 par value per share. As of August 7, 2018, 51,833,882 shares of Common Stock were issued and outstanding, with 4,412,000 additional shares of Common Stock reserved for issuance upon exercise of outstanding stock options and warrants and stock options available for grant under the Company s employee benefit plans; no shares of preferred stock were outstanding at that date. The Board of Directors of the Company has proposed an amendment to Article III of the Company s Articles of Incorporation to increase, from 60,000,000 to 120,000,000, the number of authorized shares of Common Stock. The approval of this proposal to amend the Company s Articles of Incorporation to increase the number of authorized shares of Common Stock requires the affirmative vote of the holders of the majority of the outstanding shares of Common Stock as of the Record Date.

The Board of Directors believes the authorized share increase is necessary and advisable in order to maintain our financing and capital raising ability and to generally maintain our flexibility in today s competitive and rapidly changing environment. If the proposal is approved by the shareholders of the Company, the additional 60,000,000 shares of Common Stock so authorized will be available for issuance by the Board for stock splits (such as the most recently issued stock splits in December 2013 (3-for-2) and in December 2017 (4-for-3)) or stock dividends, potential strategic transactions, including, among other things, acquisitions, strategic partnerships, joint ventures, restructurings, business combinations and investments, raising additional capital, issuing stock options or other corporate purposes, although there are no immediate plans to do so. Assurances cannot be provided that any such transactions will be consummated on favorable terms or at all, that they will enhance shareholder value or that they will not adversely affect the Company s business or the trading price of the Common Stock. Other than issuances pursuant to employee benefit plans and future stock option or restricted share grants, the Board has no current plans to issue any of the shares that would be authorized by this proposal. The Company does not anticipate that it would seek authorization from the shareholders for issuance of such additional shares unless required by applicable law or regulation.

The increase in the authorized number of shares of Common Stock and the subsequent issuance of such shares could have the effect of delaying or preventing a change in control of the Company without further action by the shareholders. Shares of authorized and unissued Common Stock could (within the limits imposed by applicable law and stock exchange regulations) be issued in one or more transactions which would make a change in control of the Company more difficult, and therefore less likely. Any such issuance of additional stock could have the effect of diluting the earnings per share and book value per share of outstanding shares of Common Stock, and such additional shares could be used to dilute the stock ownership or voting rights of a person seeking to obtain control of the Company. The Board is not aware of any attempt to take control of the Company and has not presented this proposal with the intention that the increase in the authorized shares of Common stock be used as a type of anti-takeover device. Any additional Common Shares, when issued, would have the same rights and preferences as the shares of Common Stock presently outstanding. There are no preemptive rights available to shareholders in connection with the issuance of any such shares.

Vote Required

The approval of this proposal to amend the Company s Articles of Incorporation to increase the number of authorized shares of Common Stock to 120,000,000 requires the affirmative vote of the holders, as of the Record

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Date, of the majority of the outstanding shares of Common Stock. Abstentions and broker non-votes, if applicable, will have the same effect as votes against this proposal.

The Board recommends that shareholders vote FOR the approval of the proposed amendment to our Articles of Incorporation to increase the number of authorized shares of Common Stock to 120,000,000.

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PROPOSAL 3 TO APPROVE THE ESTABLISHMENT OF THE NEOGEN CORPORATION 2018 OMNIBUS INCENTIVE PLAN

The Company currently maintains the Neogen Corporation 2015 Omnibus Incentive Plan (the 2015 Plan). Available awards under the 2015 Plan include options and restricted stock, restricted stock units, stock appreciation rights, performance awards and other awards. Upon approval of the 2018 Plan, all subsequent awards of equity or equity rights would be granted under the 2018 Plan, and no further awards would be made under the 2015 Plan.

As discussed in this proxy statement, grants to employees of stock incentives are an important part of the Company s compensation program, providing a basis for long-term incentive compensation and helping to tie together the interests of the Company s shareholders with those of the Company s directors and employees. Accordingly, the Board has adopted the 2018 Plan, and in accordance with the rules of the Nasdaq Global Select Market (the NASDAQ) and the requirements of the Internal Revenue Code, the Company is seeking the approval of the shareholders of the adoption of the 2018 Plan.

The 2018 Plan provides for the award to employees, directors and consultants of the Company of options, restricted stock, restricted stock units, stock appreciation rights, performance awards (which may take the form of performance units or performance shares) and other awards to acquire up to an aggregate of 4,500,000 shares of the Company s stock. All 4,500,000 shares may be used for the grant of incentive stock options, nonqualified options, stock appreciation rights or other awards under the Plan. Awards to be settled solely in cash (or in the case of restricted stock units or performance units that may be settled in cash, if actually settled in cash) shall not count against the shares reserved for issuance under the 2018 Plan. If an award under the 2018 Plan of restricted stock, restricted stock units or performance units is forfeited, the common shares covered by any such award would again become available for issuance under new awards. On the other hand, the 2018 Plan prohibits share recycling in connection with net settlement of options or stock appreciation rights, shares delivered or withheld to pay the exercise price or withholding taxes under options or stock appreciation rights, and shares repurchased on the open market with the proceeds of a stock option exercise.

The 2018 Plan prohibits the repricing of options. This provision relates to both direct repricing (i.e., lowering the exercise price of an option) and indirect repricing (i.e., canceling an outstanding option and granting a replacement or substitute option with a lower exercise price, or exchanging options for cash, other options or other awards). The repricing prohibition also applies to stock appreciation rights. The 2018 Plan also prohibits the cash repurchase of underwater options or stock appreciation rights.

As of the Record Date, the total number of shares of common stock which may be issued upon the exercise of outstanding stock options under the 2015 Plan is 2,499,000, none of which will be affected by the adoption of the 2018 Plan. However, if any stock options are forfeited under the 2015 Plan, those shares will not be available for issuance as new awards under the 2018 Plan.

As of the Record Date, the Company had 51,833,882 shares of common stock outstanding.

A description of the provisions of the 2018 Plan is set forth below. This summary is qualified in its entirety by the detailed provisions in the 2018 Plan, which is attached to this proxy statement as Appendix A.

General Description of the 2018 Plan

Overview. The purposes of the 2018 Plan are (a) to provide incentives for our employees, directors and consultants by encouraging their ownership of stock and (b) to aid us (and our affiliates) in retaining such employees, directors and consultants, upon whose efforts our success and future growth depends, and to attract other such individuals.

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Administration. The 2018 Plan is administered by our Stock Option Committee (the Committee), which works closely with our Compensation Committee, although the entire Board may administer the 2018 Plan, in whole or in part, in certain circumstances. Subject to the terms of the 2018 Plan, the Committee may select participants to receive awards, determine the types of awards and terms and conditions of awards and interpret provisions of the 2018 Plan. The Committee may delegate to a subcommittee of directors and/or officers, the authority to grant or administer awards to persons who are not then reporting persons under Section 16 of the Exchange Act.

Shares of Common Stock Reserved for Issuance Under the 2018 Plan. There are 4,500,000 shares of our common stock reserved for issuance under the 2018 Plan, and no awards have yet been granted under the 2018 Plan. The closing price of our common stock as reported by the NASDAQ on the Record Date was $83.52. Any shares that are subject to an option or stock appreciation right will be counted against the share limit as one (1) share for every one (1) share granted. Any shares that are subject to awards other than options or stock appreciation rights will be counted against the share limit as two and five tenths (2.5) shares for every one (1) share granted.

Eligibility and Share Limitations. Awards may be made under the 2018 Plan to our employees, directors and consultants as determined by the Committee to be in our best interests, provided that only employees shall be eligible to receive incentive stock options. We currently anticipate that approximately 220 persons may receive awards in fiscal 2019 under the 2018 Plan. The maximum number of common shares subject to options, stock appreciation rights or other share awards that may be awarded under the 2018 Plan to any person is 500,000 per the Company s fiscal year. Further, the aggregate fair market value of all awards granted to a non-employee director during any fiscal year will not exceed $500,000.

Vesting. The Plan requires that each award of restricted stock or restricted stock units will have a minimum vesting period of one year from the grant date, provided, that such awards with respect to 5% of the total shares authorized to be issued under the Plan may be granted under the Plan with a vesting period of less than one year.

Amendment or Termination of the Plan. Unless terminated earlier, the 2018 Plan shall terminate on the 10th anniversary of the date the 2018 Plan is approved by the Company s shareholders. The Board may terminate or amend the 2018 Plan at any time and for any reason, in its discretion. However, no amendment may adversely impair the rights of grantees with respect to outstanding awards. Amendments will be submitted for shareholder approval to the extent required by the Code or other applicable laws, rules or regulations.

Types of Awards Available for Grant under the 2018 Plan

Options. The 2018 Plan permits the granting of options to purchase shares of common stock intended to qualify as incentive stock options under the Code and also options to purchase common shares that do not qualify as incentive stock options (non-qualified options). The exercise price of each option may not be less than 100% of the fair market value of the common shares on the date of grant. In the case of certain 10% shareholders who receive incentive options, the exercise price may not be less than 110% of the fair market value of the common shares on the date of grant. Options granted under the 2018 Plan may generally not be sold, transferred, pledged or assigned other than by will or under applicable laws of descent and distribution.

The term of each option is fixed by the Committee and may not exceed 10 years from the date of grant (or five years in the case of incentive stock options granted to 10% shareholders). The Committee determines at what time or times each option may be exercised. Except as otherwise set forth in an award agreement, options are generally forfeited upon a termination of a participant s employment or service for cause, and a participant will generally have up to (i) 90 days to exercise any vested option for a termination for any reason other than cause, death or disability, and (ii) one year to exercise any option for a termination due to death or disability.

Options may be made exercisable in installments. In general, an optionee may pay the exercise price of an option by cash or certified check, and the Committee is authorized to permit the exercise price to be paid by net

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share settlement, broker assisted cashless exercise, tendering common shares already owned, or any other form permitted by the Committee and applicable laws, rules and regulations. The Committee may impose blackout periods on the exercise of any option to the extent required by applicable laws.

Restricted Stock. The 2018 Plan permits the granting of restricted stock. Restricted stock awards consist of shares of common stock granted subject to forfeiture if specified holding periods and/or performance targets are not met. The Committee determines the holding periods and/or performance targets. Prior to the end of the restricted period, restricted stock may not be sold, assigned, pledged, or otherwise disposed of or hypothecated by participants, and may be forfeited in the event of termination of employment or service. During the restricted period, the restricted stock entitles the participant to all of the rights of a shareholder, including the right to vote the shares and the right to receive any dividends thereon.

Performance Awards. Performance units and performance shares may also be granted under the 2018 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the Committee are achieved. The Committee may establish performance goals in its discretion, which, depending on the extent to which they are met, will determine the degree of granting, vesting and/or payout value of performance units and performance shares. While the performance units and performance shares remain unvested, a participant may not sell, assign, transfer, pledge or otherwise dispose of the securities, subject to specified limitations.

Other Awards. The Committee may also award under the 2018 Plan:

- stock appreciation rights, which are rights to receive a number of shares of common stock or, in the discretion of the Committee, an amount in cash or a combination of common shares and cash, based on the increase in the fair market value of the common shares underlying the right over the market value of such common shares on the date of grant (or over an amount greater than the grant date fair market value, if the Committee so determines) during a stated period specified by the Committee not to exceed 10 years from the date of grant;

- restricted stock units, which are substantially similar to restricted shares but result in the issuance of shares of common stock upon meeting specified holding periods and/or performance targets, rather than the issuance of the common shares on the grant date; and

- unrestricted stock, which are shares of common stock granted without restrictions.

Section 162(m) of the Code. Section 162(m) of the Code limits publicly-held companies to an annual deduction for U.S. federal income tax purposes of $1,000,000 for compensation paid to its chief executive officer and chief financial officer and the three highest compensated executive officers (other than the chief executive officer and chief financial officer) determined at the end of each year (the covered employees). Once an individual is designated as a covered employee, that individual will remain a covered employee for all future years.

Dividends or Dividend Equivalents for Performance Awards. Notwithstanding anything to the foregoing herein, the right to receive dividends, dividend equivalents or distributions with respect to any award will only be granted to a participant if and to the extent that the underlying award is earned.

Effect of Change in Control. The Plan generally provides for double-trigger vesting upon a change in control, as defined in the Plan. If the outstanding awards are assumed or substituted by the acquiring entity or successor, the vesting of such awards will be accelerated (and, as practicable, accelerated exercisability and continued or deemed determination regarding achievement of any performance criteria) upon involuntary termination of employment without cause, as defined in the Plan, or voluntary termination of employment by the optionee for good reason, within one year after the Change of Control.

Forfeiture Provisions. The Committee may provide by rule or regulation or in any award agreement, or may determine in any individual case, the circumstances in which awards shall be paid or forfeited in the event a

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participant ceases to be employed by us, or to provide services to us, prior to the end of a performance period, period of restriction or the exercise, vesting or settlement of such award. Except as set forth for options, generally the 2018 Plan provides that various awards will be forfeited if not earned or vested upon termination, unless otherwise provided for in an award agreement.

In addition, unless otherwise specified in an award agreement, the Committee retains the right to cause a forfeiture of awards upon any breach or violation of agreements, policies or plans of the Company, as well as to the extent permitted by applicable law or regulations.

Adjustments for Stock Dividends and Similar Events. The will make appropriate adjustments in outstanding awards and the number of shares of common stock available for issuance under the 2018 Plan, including the individual limitations on awards, to reflect dividends, splits, extraordinary cash dividends and other similar events.

U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the 2018 Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances.

Incentive Stock Options. The grant of an incentive stock option will not be a taxable event for the participant or for the employer. A participant will not recognize taxable income upon exercise of an incentive stock option (except that the alternative minimum tax may apply), and any gain realized upon a disposition of common shares received pursuant to the exercise of an incentive stock option will be taxed as long-term capital gain if the participant holds the common shares for at least two years after the date of grant and for one year after the date of exercise (the holding period requirement). The employer will not be entitled to any compensation expense deduction with respect to the exercise of an incentive stock option, except as discussed below.

For the exercise of an option to qualify for the foregoing tax treatment, the grant must be made by the employee s employer or a parent or subsidiary of the employer. The employee must remain employed from the date the option is granted through a date within three months before the date of exercise of the option. If a participant sells or otherwise disposes of the common shares acquired without satisfying the holding period requirement (known as a disqualifying disposition), the participant will recognize ordinary income upon the disposition of the common shares in an amount generally equal to the excess of the fair market value of the common shares at the time the option was exercised over the option exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be capital gain. The employer will generally be allowed a compensation expense deduction to the extent that the participant recognizes ordinary income.

Non-Qualified Options. The grant of an option will not be a taxable event for the participant or for the Company. Upon exercising a non-qualified option, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common shares on the date of exercise. Upon a subsequent sale or exchange of common shares acquired pursuant to the exercise of a non-qualified option, the participant will have taxable capital gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the common shares (generally, the amount paid for the common shares plus the amount treated as ordinary income at the time the option was exercised). The employer will generally be entitled to a compensation expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Restricted Stock. A participant who is awarded restricted stock will not recognize any taxable income for U.S. federal income tax purposes in the year of the award, provided that the shares are subject to restrictions (that is, the restricted shares are nontransferable and subject to a substantial risk of forfeiture). However, the participant may elect under Section 83(b) of the Code to recognize compensation income (which is ordinary

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income) in the year of the award in an amount equal to the fair market value of the common shares on the date of the award (less the purchase price, if any), determined without regard to the restrictions. If the participant does not make such a Section 83(b) election, the fair market value of the common shares on the date the restrictions lapse (less the purchase price, if any) will be treated as compensation income to the participant and will be taxable in the year the restrictions lapse and dividends or distributions that are paid while the common shares are subject to restrictions will be subject to withholding taxes. The employer will generally be entitled to a compensation expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Restricted Stock Units. There are no immediate tax consequences of receiving or vesting in an award of restricted stock units under the 2018 Plan; however, restricted stock units are subject to the Federal Insurance Contribution Act tax upon vesting (based on the fair market value of the common shares on the vesting date). A participant who is awarded restricted stock units will recognize ordinary income upon receiving common shares or cash under the award in an amount equal to the fair market value of the common shares at the time of delivery or the amount of cash. The employer will generally be entitled to a compensation expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Performance Shares, Performance Units and Other Stock Unit Awards. A participant generally will recognize no income upon the receipt of a performance share or performance unit. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of settlement in an amount equal to the cash received and/or the fair market value of any substantially vested common shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above under Restricted Stock. The employer generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Stock Appreciation Rights. There are no immediate tax consequences of receiving an award of stock appreciation rights under the 2018 Plan. Upon exercising a stock appreciation right, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common shares on the date of exercise. The employer will generally be entitled to a compensation expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Dividend or Dividend Equivalents. A participant will recognize taxable income, subject to withholding of employment tax, upon receipt of a dividend equivalent in cash or in shares of stock. Similarly, a participant who receives restricted stock, and does not make an election under Section 83(b) of the Code with respect to the stock, will recognize taxable ordinary income, subject to withholding of employment tax, upon receipt of dividends on the stock. If the participant made a Section 83(b) election, the dividends will be taxable to the participant as dividend income.

Unrestricted Stock. Participants who are awarded unrestricted stock will be required to recognize ordinary income in an amount equal to the fair market value of the common shares on the date of the award, reduced by the amount, if any, paid for such common shares. The employer will generally be entitled to a compensation expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Withholding. To the extent required by law, and except as provided otherwise by the Committee, we will utilize the net share method of settlement or withhold from any amount paid in settlement of an award, the amount of withholding and other taxes due or take other action as we deem advisable to enable ourselves to satisfy withholding and tax obligations related to any awards.

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New Plan Benefits

Awards under the 2018 Plan will be made at the discretion of the Committee, although no awards have been made to date. Accordingly, we cannot currently determine the amount of awards that will be made under the 2018 Plan. We anticipate that the Committee will utilize the 2018 Plan to continue to grant long-term equity incentive compensation to employees similar to the awards described in this proxy statement.

Registration with SEC

The Company intends to file a registration statement with the SEC pursuant to the Securities Act of 1933, as amended, covering the offering of the stock under the 2018 Plan.

Equity Compensation Plan Information

The following table presents information as of May 31, 2018 with respect to compensation plans under which shares of our common stock may be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (#)
Equity compensation plans approved by security holders (1)	2,499,000(1)	$ 42.63	1,913,000(2)
Equity compensation plans not approved by security holders			
Total	2,499,000		1,913,000(3)

(1) Consists of shares of Common Stock that may be issued upon the exercise of outstanding stock options under the 2015 Plan.
(2) Consists of shares of Common Stock that remained available for issuance under the 2015 Plan.
(3) Excludes the shares of Common Stock that may become available for future issuance under the 2018 Plan, if approved by our shareholders.

The Board recommends that you vote FOR the approval of the establishment of the Neogen Corporation 2018 Omnibus Incentive Plan.

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PROPOSAL 4: TO APPROVE, BY NON-BINDING VOTE, THE COMPENSATION OF EXECUTIVES

The Compensation Discussion and Analysis section of this Proxy Statement describes, among other things, the Company s executive compensation policies and practices. Securities laws require that shareholders be given the opportunity to express their approval of the compensation of Company executives, as disclosed in this Proxy Statement. Under the legislation that requires this vote, the shareholder vote is neither binding on the Board nor the Company and may not be construed as overruling any decision made by the Board or the Company or as creating or implying any change in the fiduciary duties owed by the Board. However, the Board values the views of shareholders and intends to take the outcome of this annual shareholder advisory vote into consideration when making future executive compensation decisions.

Therefore, at the Annual Meeting, shareholders will be given the opportunity to vote, on an advisory (non-binding) basis, to approve the compensation of the named executive officers as disclosed in this Proxy Statement under Compensation Discussion and Analysis and the Summary Compensation Table. This vote proposal is commonly known as a say-on-pay proposal and gives shareholders the opportunity to endorse or not endorse the executive pay program. This vote is not intended to address any specific item of executive compensation, but rather the overall compensation of the named executive officers and the policies and practices described in this Proxy Statement. Shareholders are encouraged to read the full details of the Company s executive compensation program, including the primary objectives in setting executive pay, under Compensation Objectives, as described in this Proxy Statement.

In a non-binding advisory vote on the frequency of the say-on-pay proposal held at our 2017 Annual Meeting of Shareholders, shareholders voted in favor of holding say-on-pay votes annually. In light of this result and other factors considered by the Board, the Board determined that the Company would hold advisory say-on-pay votes on an annual basis until the next required advisory vote on such frequency, to be held no later than 2023.

The Company evaluates the compensation of its executives at least once each year to assess whether compensation policies and programs are achieving their primary objectives. Based on its most recent evaluation, the Board believes the Company s executive compensation programs achieve these objectives, including aligning the interests of management with those of shareholders, and are therefore worthy of shareholder support. In determining how to vote on this proposal, shareholders should consider the following:

Independent Compensation Committee. Eight of our nine current directors are deemed independent pursuant to applicable NASDAQ standards. Three of these independent directors serve on the Compensation Committee. Meetings of the Compensation Committee include executive sessions in which management is not present.

Performance-Based Incentives. Total compensation for executives is structured so that a significant portion of the total earning potential is derived from performance-based incentives.

Stock Options. A majority percentage of executives total compensation is paid in the form of stock options that vest over a five year period. These stock awards help align the executives interests with longer term shareholder returns and also serve to help retain the services of executives.

No Severance Payments. If employment is terminated without cause, executives are not contractually entitled to golden parachute or other executive severance payments upon termination.

For these reasons, the Board recommends that you vote FOR the adoption of the following resolution:

RESOLVED, that the shareholders of the Company approve, on an advisory basis, the compensation of the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in the Company s Proxy Statement for its 2018 Annual Meeting of Shareholders.

Vote Required

The proposal to approve the compensation of the Company s named executive officers requires the affirmative vote of a majority of the votes cast on the proposal.

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PROPOSAL 5 RATIFICATION OF THE APPOINTMENT OF THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company s Audit Committee (Audit Committee) has appointed BDO USA, LLP (BDO) to serve as the independent registered public accounting firm for the Company for the fiscal year ending May 31, 2019. While not required, the Company is submitting the appointment to the shareholders for their ratification as a matter of good corporate practice. The affirmative vote of a majority of the votes cast at the Annual Meeting on the proposal is required for ratification. **The Board recommends that shareholders vote FOR ratification of the appointment of BDO as the Company s independent registered public accounting firm for fiscal 2019.** If the appointment is not ratified, it will be considered as a recommendation that the Audit Committee consider the appointment of a different firm to serve as independent registered public accounting firm for the fiscal year 2019. Even if the appointment is ratified, the Audit Committee may select a different independent registered public accounting firm at any time if it determines that such a change would be in the best interests of the Company and its shareholders.

Relationship with BDO

BDO has acted as the Company s independent registered public accounting firm for five years. BDO has advised that neither the firm nor any of its members or associates has any direct financial interest or any material indirect financial interest in the Company or any of its affiliates other than as auditors. Representatives of BDO are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The fees billed by BDO with respect to the fiscal years ended May 31, 2018 and 2017 are as follows:

	2018	2017
Audit Fees	$ 374,046	$ 360,500
Audit-Related Fees		
Tax Fees (1)	107,628	95,547
All Other Fees		
	$ 481,674	$ 456,047

(1) Includes tax compliance work and miscellaneous consulting.

Audit Fees include amounts billed for the annual audit of the Company s fiscal year Consolidated Financial Statements, the audit of internal controls over financial reporting, the review of the Consolidated Financial Statements included in the Forms 10-Q, and consultations concerning accounting matters associated with the annual audit. Audit-Related Fees include amounts billed for general accounting consultations and services that are reasonably related to the annual audit. In connection with its review and evaluation of non-audit services, the Audit Committee is required to and does consider and conclude that the provision of non-audit services is compatible with maintaining the independence of BDO.

Under its charter, the Audit Committee must pre-approve all audit and non-audit services to be performed by BDO. In the event management wishes to engage BDO to perform non-audit services, a summary of the proposed engagement is prepared detailing the nature of the engagement, the reasons why BDO is the preferred provider of the services and the estimated duration and cost of the engagement. The Audit Committee reviews and evaluates recurring non-audit services and proposed fees as the need arises at their regularly scheduled committee meetings. At subsequent meetings, the Audit Committee receives updates regarding the services actually provided and management may present additional services for approval. The Audit Committee has delegated to the Chairman or, in his absence, any other member of the Audit Committee, the authority to evaluate and approve projects and related fees of up to $10,000, if circumstances require approval between meetings of the Audit Committee. Any such approval is reported to the full Audit Committee at its next meeting.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

Principal Shareholders

The following table sets forth certain information, as of August 7, 2018, with respect to beneficial ownership of common stock by the only persons known by the Company to be the beneficial owner of more than 5% of the Company s common stock. On August 7, 2018, there were 51,833,882 shares of the company s stock outstanding.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class (%)
Black Rock Institutional Trust Company, N.A.	6,675,037	12.9%
400 Howard Street		
San Francisco, CA 94105		
Brown Capital Management, LLC	6,397,138	12.3%
1201 North Calvert Street		
Baltimore, MD 21202		
The Vanguard Group, Inc.	4,760,366	9.2%
100 Vanguard Boulevard		
Malvern, PA 19355		

Security Ownership of Directors and Executive Officers

The following table sets forth certain information about the ownership of the Company s common stock as of August 7, 2018 held by the current directors, each nominee for director, the executive officers named in the Summary Compensation Table under Executive Compensation and all executive officers and directors as a group.

Name	Number of Shares Owned (1)	Right to Acquire (2)	Total	Percentage of Outstanding Shares
James L. Herbert	1,175,261(3)	74,670	1,249,931	2.3%
William T. Boehm, Ph.D.	10,479	26,001	36,480	*
James C. Borel	2,000	5,779	7,779	*
Ronald D. Green, Ph.D.	1,000	8,891	9,891	*
G. Bruce Papesh	26,261	40,001	66,262	*
Jack C. Parnell	10,073	28,001	38,074	*
Thomas H. Reed	8,040	12,001	20,041	*
James P. Tobin	4,266	5,779	10,045	*
Darci A. Vetter		2,222	2,222	*
John E. Adent (4)		20,001	20,001	*
Richard E. Calk, Jr. (5)				*
Steven J. Quinlan	13,470(6)	27,068	40,538	*
Edward L. Bradley (7)				*
Terri A. Morrical	37,575(8)	30,800	68,375	*
Executive officers and directors as a group (14 persons)	1,288,425	281,214	1,569,639	2.9%

* Less than 1%

(1) Excludes shares that may be acquired through stock option exercises.

(2) Includes shares that may be acquired within 60 days of August 7, 2018 upon exercise of options pursuant to Rule 13d-3 of the Securities Exchange Act of 1934.

(3) Includes 170,280 shares held in trust for the spouse of James L. Herbert, 159,972 shares held by limited liability companies, in which Mr. Herbert and his spouse have minority financial positions and 108,783 shares in a charitable remainder trust in which Mr. Herbert and his spouse are beneficiaries and trustees.

(4) Mr. Adent joined the Company as Chief Executive Officer on July 17, 2017.
(5) Mr. Calk resigned from the Company on September 22, 2017.
(6) Includes 11,889 shares held in the Neogen Corporation 401(k) Retirement Savings Plan.
(7) Mr. Bradley retired from the Company on December 31, 2017.
(8) Includes 37,575 shares held in the Neogen Corporation 401(k) Retirement Savings Plan.

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INFORMATION ABOUT THE BOARD AND CORPORATE GOVERNANCE MATTERS

The Company is managed under the direction of its Board. The Board conducts its business through meetings of the Board and its committees. The Board held six meetings, and there were a total of 14 committee meetings during fiscal 2018. Each director attended more than 75% of the total meetings of the Board and the committees on which he/she served in fiscal 2018. Directors of the Board are expected to attend the Annual Meeting of shareholders unless they have a schedule conflict or other valid reason. All of the current Board members attended the 2017 Annual Meeting.

Independent Directors

A director is not considered independent unless the Board determines that he or she meets the NASDAQ independence rules and has no material relationship with the Company, either directly or indirectly, through any organization with which he or she is affiliated that has a relationship with the Company. Based on a review of the responses of the directors and nominees to questions about employment history, affiliations, family and other relationships, and on discussions with the directors and nominees, the Board has determined that each of the following currently serving directors and nominees are independent as defined in the NASDAQ independence rules: Dr. Boehm, Mr. Borel, Dr. Green, Mr. Papesh, Mr. Parnell, Mr. Reed, Mr. Tobin and Ms. Vetter.

Board Committees

The Board has four committees. The current membership, number of meetings held during fiscal 2018 and the function performed by each of these committees are described below. None of the members of any of the committees is or ever has been an employee of the Company. The Board has determined that each committee member meets the independence standards for that committee within the meaning of applicable NASDAQ and SEC regulations.

Compensation Committee Dr. Green (Chair), Mr. Parnell and Mr. Tobin are currently members of the Compensation Committee, which met two times during fiscal 2018. The purpose of the Compensation Committee is to assist the Board in discharging its overall responsibilities relating to executive compensation. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of the Executive Chairman, Chief Executive Officer and other executive officers prior to the beginning of each year, evaluates current year performance in light of those goals and establishes compensation levels for the upcoming year, including salary and bonus targets. Company management provides recommendations to the Compensation Committee concerning compensation of officers. The Compensation Committee has a charter, which is available on the Company s website at *www.neogen.com*.

Stock Option Committee Mr. Parnell (Chair), Mr. Borel and Ms. Vetter are currently members of the Stock Option Committee, which met once during fiscal 2018. The purpose of the Stock Option Committee is to assist the Board in discharging its overall responsibilities relating to the Company s stock option plans, including the Neogen Corporation 2007 Stock Option Plan (the 2007 Plan), which was amended in 2011, and the 2015 Omnibus Incentive Plan (the 2015 Plan), approved by shareholders in 2015. In connection with the approval of the 2015 Plan, the Stock Option Committee evaluates option grants and any other equity awards under that plan; no further awards can be made from the 2007 Plan. The Stock Option Committee determines the amount of grants, if any, to be made to the Executive Chairman and Chief Executive Officer. Management provides recommendations to the Stock Option Committee concerning stock option awards for other officers and employees.

Governance Committee Mr. Papesh (Chair), Mr. Reed, Dr. Green, Mr. Parnell and Mr. Tobin serve on the Governance Committee, which met five times during fiscal 2018. The Governance Committee provides a leadership role in shaping the governance of the Company, and provides oversight and direction with respect to the function and operation of the Board. The Governance Committee also provides oversight on management succession, human resources practices, risk management, and environmental, health and safety issues.

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The Governance Committee recommends to the Board criteria for selecting new directors; the enumeration of skills that would be advantageous to add to the Board; the appropriate mix of inside and outside directors; ethnicity and gender of directors; and size of the Board. The Board considers factors such as whether or not a potential candidate: (1) possesses relevant expertise; (2) brings skills and experience complementary to those of the other members of the Board; (3) has sufficient time to devote to the affairs of the Company; (4) has demonstrated excellence in his or her field; (5) has the ability to exercise sound business judgment; (6) has the commitment to rigorously represent the long-term interests of the Company s shareholders; (7) possesses a diverse background and experience, including with respect to race, age and gender; (8) possesses high ethical standards and integrity; and (9) such other factors as the Governance Committee may consider from time to time.

The Governance Committee identifies persons qualified to become directors and, as appropriate, recommends candidates to the Board for its approval. Board composition is reviewed periodically to ensure that the Board reflects the knowledge, experience and skills required for the Board to fulfill its duties. The Governance Committee s charter requires that the Governance Committee take diversity (including specifically both ethnicity and gender) of directors into account in performing its functions. It identifies persons qualified to become directors and, as appropriate, recommends candidates to the Board for its approval. In assembling a pool of potential candidates from which to make recommendations to the Board, the Committee endeavors to include women and minority candidates. As required by NASDAQ, the SEC or such other applicable regulatory requirements, a majority of the Board is comprised of independent directors. At the direction of the Board of Directors, the Governance Committee manages the CEO selection process, and ultimately recommends one or more candidates for consideration by the Board. For further information, see the charter of the Governance Committee which is available in the Investor Relations section of the Company s website at *www.neogen.com*.

The Governance Committee generally relies on multiple sources for identifying and evaluating Board nominees, including referrals from the Company s current directors and management. The Governance Committee does not solicit director nominations, but will consider recommendations by shareholders with respect to elections to be held at an Annual Meeting, so long as such recommendations are sent on a timely basis to the Corporate Secretary of the Company and are in accordance with the Company s by-laws. The Committee will evaluate nominees recommended by shareholders against the same criteria.

In searching for candidates to fill Board vacancies, the Governance Committee is committed to identifying the most capable candidates who have experience in the areas of expertise needed at that time and meet the criteria for nomination. The Governance Committee has in the past entertained and encouraged the candidacy of qualified women and minorities and will continue to do so.

Audit Committee Dr. Boehm (Chair), Mr. Borel and Mr. Reed are currently members of the Audit Committee, which oversees the Company s financial reporting process on behalf of the Board. The Audit Committee meets with management and the Company s independent registered public accounting firm throughout the year and reports the results of its activities to the Board of Directors. The Audit Committee met six times during fiscal 2018. Further information regarding the role of the Audit Committee is contained in its charter which is available in the Investor Relations section of the Company s website at *www.neogen.com* and also see Audit Committee Report in this Proxy Statement. The Board has determined that all current members of the Audit Committee are audit committee financial experts for purposes of applicable SEC rules.

Lead Director/Executive Sessions of Non-Management Directors

Mr. Parnell has been designated the Lead Independent Director, with responsibility for coordinating the activities of the other independent directors. Mr. Parnell chairs all executive sessions of the Board.

Mr. Herbert does not attend the executive sessions except upon request. At least one executive session of the Board is held annually.

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Management s Role in Determining Executive Compensation

The Compensation Committee makes all final decisions regarding officer compensation. Management s involvement in determining executive compensation is limited to the Executive Chairman and the Chief Executive Officer making recommendations on compensation for members of the management team.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee has served as an officer or employee of the Company at any time. No executive officer serves as a member of the compensation committee of any other company that has an executive officer serving as a member of the Company s Board. None of the Company s executive officers serves as a member of the Board of any other company that has an executive officer serving as a member of the Compensation Committee.

Board Role in Risk Management

The Board of Directors oversees the Company s risk management. This oversight is administered primarily through the Board s review and approval of the management business plan, including the projected opportunities and challenges facing the business; periodic review by the Board of business developments, strategic plans and implementation, liquidity and financial results; the Board s oversight of succession planning, capital spending and financing; the Audit Committee s oversight of the Company s internal controls over financial reporting and its discussions with management and the independent accountants regarding the quality and adequacy of internal controls and financial reporting (and related reports to the full Board); the Governance Committee s leadership in the evaluation of the Board and committees and its oversight of identified risk areas of the Company; and the Compensation Committee s review and approvals regarding executive officer compensation and its relationship to the Company s business plan, as well as its review of compensation plans generally and the related risks.

Board Leadership

James L. Herbert is the Executive Chairman of the Company s Board, and John E. Adent serves as our President and Chief Executive Officer. Mr. Parnell has been designated the Lead Independent Director, with responsibility for coordinating the activities of the other independent directors and chairing all executive sessions of the board. The Board has concluded that this leadership structure is appropriate for the Company at this time.

Contacting the Board

Shareholders and other interested persons may communicate directly with the Board or any individual director on a confidential basis by mail to Board of Directors, Neogen Corporation, 620 Lesher Place, Lansing, Michigan 48912, Attention: Board Secretary. All such communications will be received directly by the Secretary of the Board and will not be screened or reviewed by any other Company employee.

Code of Conduct and Ethics

The Company has adopted a Code of Conduct applicable to all Company employees, officers and directors, including specifically the Executive Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Corporate Controller, in the performance of their duties and responsibilities. The Code of Conduct is posted on the Company s website at *www.neogen.com* in the Investor Relations section and will be mailed to any shareholder upon request to the Secretary at 620 Lesher Place, Lansing, Michigan 48912.

Certain Relationships and Related Party Transactions

The Board, acting as a committee of the whole, approves or ratifies transactions involving directors, executive officers or principal shareholders, or members of their immediate families or entities controlled by any

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of them, or in which they have a substantial ownership interest, in which the amount involved exceeds $120,000 and that are otherwise reportable under SEC disclosure rules. Such transactions include employment of immediate family members of any director or executive officer. Management advises the Board of any such transaction that is proposed to be entered into or continued and seeks Board approval. In the event any such transaction is proposed for which a decision is required prior to the next regularly scheduled meeting of the Board, it may be presented to the Audit Committee Chair for approval, in which event the decision will be reported to the full Board at its next meeting. Melissa Herbert, the daughter of Executive Chairman Herbert, is employed by the Company as Vice President, Support Services, and earned total compensation of $237,596 in fiscal 2018.

COMPENSATION DISCUSSION AND ANALYSIS

Named Executive Officers

Named executive officers (NEOs) for SEC reporting purposes are:

Name	**Title**
James L. Herbert (1)	Executive Chairman
John E. Adent (1)	President & Chief Executive Officer
Richard E. Calk, Jr. (2)	Former President & Chief Operating Officer
Steven J. Quinlan	Vice President, Chief Financial Officer and Secretary
Edward L. Bradley (3)	Former Vice President, Food Safety Operations d)
Terri A. Morrical	Vice President, Animal Safety Operations

(1) Mr. Adent joined the Company as Chief Executive Officer on July 17, 2017, and Mr. Herbert was named Executive Chairman on that date. Mr. Adent was named President following the resignation of Mr. Calk.
(2) Mr. Calk resigned from the Company on September 22, 2017.
(3) Mr. Bradley retired from the Company effective December 31, 2017.

Brief biographies of the NEOs, with the exception of Mr. Herbert, follow. Mr. Herbert s biography is included in Proposal 1 Election of Directors.

John E. Adent, age 50, joined the Company as Chief Executive Officer on July 17, 2017, and was also named President on September 22, 2017 following the resignation of Mr. Calk. Prior to joining the Company, Mr. Adent served as the Chief Executive Officer of Animal Health International, Inc., formerly known as Lextron, Inc., from 2004 to 2015, also serving as its President during that time. Animal Health International was sold to Patterson Companies, Inc in 2015, and Mr. Adent served as the Chief Executive Officer of the $3.3 billion Animal Health Division of Patterson Animal Health from that period until his resignation from that company on July 1, 2017. Mr. Adent began his career with management responsibilities for Ralston Purina Company, developing animal feed manufacturing and sales operations in China and the Philippines. When Ralston Purina spun off that business to Agribrands, he continued his management role in the European division in Spain and Hungary, serving as managing director of the Hungarian operations. Mr. Adent left Ralston Purina in 2004.

Richard E. Calk, Jr., age 56, joined the Company as President and Chief Operating Officer in December 2014 and resigned from the Company on September 22, 2017. Prior to joining the Company, he was employed at Nexeo Solutions from 2013 to 2014, and held the position of Vice President, Chemicals. From 2009 to 2013, he was Vice President of Commercial Operations at Solutia Inc.

Steven J. Quinlan, age 55, joined the Company in January 2011 as Vice President and Chief Financial Officer. He was named Secretary in October 2011. He is responsible for all internal and external financial reporting for the Company, and also manages the accounting, human resources, information technology, communications, investor relations and facilities departments. Mr. Quinlan came to the Company following 19 years at Detrex Corporation (1992-2010), the last eight years serving as Vice President-Finance, CFO and Treasurer. He was on the audit staff at the public accounting firm Price Waterhouse (now PWC) from 1985-1989.

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Edward L. Bradley, age 58, joined the Company in February 1995 as part of its acquisition of AMPCOR Diagnostics, Inc, where he served as Vice President of Sales and Marketing. In June 1996, he was named a Vice President of the Company. In June 2006, Mr. Bradley was named Vice President, Food Safety. From 1988 to 1995, Mr. Bradley served in several sales and marketing capacities for Mallinckrodt Animal Health, including the position of National Sales Manager in its Food Animal Products Division. Mr. Bradley retired from the Company effective December 31, 2017.

Terri A. Morrical, age 53, joined the Company in September 1992 as part of the Company s acquisition of WTT, Incorporated. She has directed most aspects of the Company s animal safety operations since she joined the Company and currently serves as Vice President in charge of all the Company s animal safety operations excluding Geneseek. From 1986 to 1991, Ms. Morrical was Controller for Freeze Point Cold Storage Systems and concurrently served in the same capacity for Powercore, Inc. In 1990, she joined WTT, Incorporated as Vice President and Chief Financial Officer and then became President, the position she held at the time the Company acquired the business.

Compensation Objectives

The Company s executive compensation programs are designed to be aligned with shareholder value creation and are structured to reward individual and organizational performance and be simple, concise and understandable. A significant percentage of each NEO s compensation consists of variable pay.

The primary objectives of the compensation programs covering NEOs are to:

- Attract, retain and motivate highly talented executives who will drive the success of the business;
- Align incentives with the achievement of measurable corporate, business unit and individual performance objectives based on financial and non-financial measures, as appropriate;
- Provide overall compensation that is considered equitable to the employee and the Company; and
- Ensure reasonable, affordable and appropriate compensation program costs.

Compensation Elements

The primary compensation elements provided to NEOs are:

- Base salary;
- Discretionary annual bonus; and
- Equity-based long-term incentive compensation delivered in the form of stock option grants.

Other compensation elements include health and welfare benefits plans under which the NEOs receive similar benefits to those provided to all other eligible U.S.-based employees, such as medical, life insurance and disability coverage.

The Compensation Committee is provided materials by management regarding the various compensation elements of each NEO s compensation package. The Compensation Committee makes decisions about each compensation element in the context of each NEO s total compensation package. The compensation of senior level employees generally incorporates variable pay elements such as bonus and stock options, although no specific formula, schedule or tier is applied in establishing compensation mix. Each of the compensation elements and its purpose is further described below.

Consideration of Last Year s Say-on-Pay Vote

At the 2017 annual meeting of shareholders, shareholders were provided with an opportunity to cast an advisory vote on the compensation of the Company s executive officers. The say-on-pay vote yielded

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approximately 99% approval of those votes cast. Notwithstanding this favorable vote, we continue to seek input from our shareholders to understand their views with respect to our approach to executive compensation, and in particular in connection with the Compensation Committee s efforts to tie compensation to performance.

Base Salary

Base salary is intended to compensate the executive for the basic market value of the position, time in the position and the relation of that position to other positions in the Company. Each NEO s salary and performance is reviewed annually. Factors considered in determining the level of executive base pay include the role and responsibilities of the position, performance against expectations and an individual s job experience or unique role responsibilities.

Actual earned salary for 2018 is shown in the Salary column of the Summary Compensation Table. Base salary rates and changes from 2017 to 2018, if applicable, are shown in the following table.

Name	2018 Salary Rate	2017 Salary Rate	Percent Increase
James L. Herbert (1)	$ 350,000	$ 450,000	(22.2)%
John E. Adent (1)	450,000		N/A
Richard E. Calk, Jr. (2)	345,000	340,000	1.5%
Steven J. Quinlan	237,000	230,000	3.0%
Edward L. Bradley (3)	196,000	190,000	3.2%
Terri A. Morrical	196,000	190,000	3.2%

(1) Mr. Adent joined the Company as Chief Executive Officer on July 17, 2017. On that date, Mr. Herbert was named Executive Chairman; his base salary was adjusted to $350,000 effective November 1, 2017.
(2) Mr. Calk resigned from the Company on September 22, 2017.
(3) Mr. Bradley retired from the Company on December 31, 2017.

Discretionary Annual Bonus

Bonuses paid in fiscal 2019 related to fiscal 2018 performance are as follows:

Name	Target Value	Actual Payments	Percentage of Target
James L. Herbert	$ 190,000	$ 180,000	95%
John E. Adent	225,000	180,000	80%
Richard E. Calk, Jr. (1)			N/A
Steven J. Quinlan	73,000	58,000	79%
Edward L. Bradley (2)			N/A
Terri A. Morrical	83,000	72,000	87%

(1) Mr. Calk resigned from the Company on September 22, 2017.
(2) Mr. Bradley retired from the Company effective December 31, 2017.

Target values for bonuses are set by the Compensation Committee and communicated to the officers at the time that the prior year actual payments are communicated. Bonus payments are determined by the Compensation Committee based on the achievements of the officers objectives and the Committee s perception of the efforts expended during the fiscal year. The Compensation Committee took into account the recommendations of Mr. Adent with respect to the bonus for Mr. Quinlan and Ms. Morrical. Mr. Calk resigned from the Company on September 22, 2017 and Mr. Bradley retired from the Company, effective December 31, 2017; neither individual was awarded a bonus for fiscal 2018. Target and actual bonuses are based on individual

objectives and the Company s performance, within the discretion of the Compensation Committee. The Compensation Committee s appraisal of the Company s overall performance was influenced by the following:

- Revenues increased 11.2% to $402.3 million;
- Gross margins were 47.3%, compared to 47.6% in fiscal 2017;
- Operating income was $70.2 million, an increase of 8.1% over fiscal 2017;
- Net income of $63.1 million was a 44.2% increase over fiscal 2017;
- The Company generated $69.1 million cash from operations in fiscal 2018, compared to $60.3 million in fiscal 2017; and
- Stockholders equity increased to $560.2 million, compared to $471.8 million at May 31, 2017.

The Compensation Committee determined that, based upon the above listed factors, among others, Mr. Herbert and Mr. Adent had provided strong leadership to the Company in the current fiscal year, had effectively worked together to ensure a smooth transition in executive leadership, had continued to position the Company well for future growth in revenue and profitability and therefore awarded them 95% and 80%, respectively, of each of their targeted bonus opportunity. The bonus opportunity for Ms. Morrical was primarily affected by the sales, operating income and other operating metrics of the division for which she had primary responsibility, while the bonus opportunity for Mr. Quinlan was tied to operating metrics of the overall Company, as well as other internal objectives set by Mr. Herbert and Mr. Adent.

Substantially all managers bonus arrangements, including those of each of the NEOs, include a provision that the bonuses otherwise payable may be decreased by the Compensation Committee, in their discretion, in the event that specific Company earning per share targets are not met. Actual Company earnings were $1.21 per share in fiscal 2018, an increase of 41% over the $0.86 earned in fiscal 2017, aided in part by the favorable impact of U.S. corporate tax reform enacted in December 2017; the Committee did not reduce potential bonus amounts below the targeted bonus level for each of the NEOs as a result of this provision in the 2018 fiscal year.

Long-Term Incentive Compensation

The objectives of the long-term incentive portion of the compensation package are to:

- Align the personal and financial interests of management and other employees with shareholder interests;
- Balance short-term decision-making with a focus on improving shareholder value over the long term;
- Provide a means to attract, reward and retain a skilled management team; and
- Provide the opportunity to build a further ownership position in the Company s stock.

The primary long-term incentive mechanism at the Company has been, and continues to be, stock option awards, the ultimate value of which is dependent on increases in the Company s stock price. Stock options are granted to provide employees with a personal financial interest in the Company s long-term success, promote retention of employees and enable the Company to compete for the services of new employees in a competitive market. The Company continues to believe that stock options are an appropriate means to accomplish long-term incentive objectives.

The stock option program is designed to deliver competitive long-term awards while incurring reasonable levels of expense and shareholder dilution relative to other long-term incentive programs. It is the Company s view that stock options represent an appropriate use of corporate resources and are an effective method for the Company to achieve its long-term compensation element objectives.

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The Company maintains the 2015 Omnibus Incentive Plan (the 2015 Plan), approved by shareholders in 2015. Available awards under the 2015 Plan include options and restricted stock, restricted stock units, stock appreciation rights, performance awards and other awards.

In general, options granted by the Company to employees are incentive options with five year lives that vest 20% per year beginning with the year following the year of grant. Certain incentive options are converted to non-qualified options when IRS limitations for incentive options are exceeded. The nonqualified options retain the same vesting and life provisions as incentive options. Nonqualified stock options, with five year terms (ten year terms for grants prior to January 1, 2017) and vesting 33% per year for the three years following the year of grant, are granted to Directors. In all cases, grant prices are equal to the closing price on the day of the grant. The Company does not reprice options and does not reload which means the recipient is only able to exercise the number of shares in the original stock option grant. The Company s practice has been to make an annual award to the majority of recipients as well as rare hire-on awards to select new hires.

Annual stock option grants are made at the discretion of the Stock Option Committee, with the exception of non-employee director awards which are granted automatically under the terms of the Stock Option Plan. Management makes recommendations to the Stock Option Committee as to the stock option award levels and terms. The determination with respect to the number of options to be granted to any particular participant is ultimately subjective in nature. While no specific performance measures are applied, factors considered in determining the number of options to be awarded to an individual include his or her level of responsibility and position within the Company, demonstrated performance over time, value to the Company s past and future success, historic grants, retention concerns and, in the aggregate, share availability under the plan and overall Company expense and shareholder dilution from awards. Management provides the Stock Option Committee information on grants made in the past three years and the accumulated value of all stock option awards outstanding to each NEO.

The table below shows the size of the fiscal 2018 stock option grants to each of the NEOs.

Name	**Number of Options**	**Compensation Cost Recognized for 2018 Grants (1) (2)**
James L. Herbert	100,001	$ 1,472,902
John E. Adent	100,001	1,250,239
Richard E. Calk, Jr. (3)		
Steven J. Quinlan	46,667	687,352
Edward L. Bradley (4)		
Terri A. Morrical	40,001	589,189

(1) Represents the aggregate grant date fair value of each stock option granted in fiscal 2018, calculated in accordance with the provisions of the Compensation Stock Compensation Topic of the FASB Codification. This amount will be recognized over the five year vesting period of the grants.
(2) The stock option Codification Topic 718 values throughout this Proxy Statement have been calculated using the Black-Scholes option pricing model using the assumptions in the table below.
(3) Mr. Calk resigned from the Company on September 22, 2017
(4) Mr. Bradley retired from the Company effective December 31, 2017.

Black-Scholes Model Assumptions (1)	**2018**	**2017**	**2016**	**2015**	**2014**
Risk-free interest rate	1.6%	1.2%	1.2%	1.2%	0.8%
Expected dividend yield	0%	0%	0%	0%	0%
Expected stock price volatility	27.7%	35.2%	33.3%	36.2%	33.1%
Expected option life	4 years	4 years	4 years	4 years	4 Years

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(1) The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Expected stock price volatility is based on historical volatility of the Company s stock. The expected option life, representing the period of time that options are expected to be outstanding, is based on historical option exercise and employee termination data.

Retirement Plans: A defined contribution plan, the Neogen Corporation 401(k) Retirement Savings Plan (401(k) Plan) is available to all eligible U.S. employees including all NEOs. Under the 401(k) Plan, the Company matches dollar per dollar of the first 3%, and fifty cents per dollar of the next 2%, of pay contributed by the employee up to the Internal Revenue Code limits. Matching contributions to the 401(k) Plan vest immediately.

Health and Welfare Benefits Plans: Benefits such as medical, dental, vision, life insurance and disability coverage are provided to each NEO under benefits plans that are provided to all eligible U.S.-based employees. The benefits plans are part of the overall total compensation offering and are intended to be competitive and provide health care coverage for employees and their families. The NEOs have no additional Company-paid health benefits. Similar to all other employees, NEOs have the ability to purchase supplemental life, dependent life, long-term care insurance, and accidental death and dismemberment coverage through the Company. The value of these benefits is not included in the Summary Compensation Table since they are purchased by each NEO and are made available to all U.S. employees. No form of post-retirement health care benefits is provided to any employee.

Perquisites: The values of perquisites and other personal benefits are included in the All Other Compensation column of the Summary Compensation Table, and consist primarily of Company matching contributions to the 401(k) plan and the value of Company paid group term life insurance.

Employee Stock Purchase Plan: Employees in the U.S. are permitted to voluntarily purchase Company stock at a 5% discount through after-tax payroll deductions under the Employee Stock Purchase Plan (ESPP) as a way to facilitate employees becoming shareholders of the Company. The ESPP purchases stock bi-annually for participants through a third party plan administrator. None of the NEOs are currently eligible to purchase shares through the plan.

Executive and Non-Employee Director Stock Ownership Policy

The Company has a stock ownership policy in place for all corporate officers, including the NEOs and Directors. This reflects the Company s conviction that all senior executives should have meaningful actual share ownership positions in the Company in order to reinforce the alignment of management and shareholder interests. The ownership policy was adopted by the Board in July 2007. The Compensation Committee periodically reviews the policy requirements to ensure they continue to be reasonable and competitive.

The ownership requirements are:

Position	Market Value of Stock Owned	Expected Time Period to Comply
Non-Employee Directors	2 times annual cash fees paid	5 years
Executive Chairman, Chief Executive Officer	2 times annual salary, including bonus	3 years
Corporate Officers	2 times annual salary, including bonus	5 years

Stock owned includes shares owned outright, including 401(k) Plan shares, but does not include stock options. As of May 31, 2018, the Executive Chairman, the Chief Executive Officer and all corporate officers, including the named executive officers, were at or above the applicable stock ownership requirement or within the expected time period to comply. All non-employee directors were at or above the applicable stock ownership requirement, or within the expected time period to comply.

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Chief Executive Officer Compensation

Jim Herbert was the Company s Chief Executive Officer on June 1, 2017. As part of a succession plan initiated by the Board (including Mr. Herbert), John Adent was hired as Chief Executive Officer of the Company effective July 17, 2017. At that time, Mr. Herbert was named Executive Chairman. Mr. Adent was also named President on September 22, 2017, upon the resignation of Mr. Calk on that date. Per the terms of Mr. Adent s offer letter, his initial salary was $450,000, and his target bonus opportunity was $225,000, based on the achievement of certain revenue and earnings targets and the attainment of other strategic and operational goals. He also had the opportunity to earn an additional $225,000 on the achievement of revenue and earnings targets which significantly exceeded the Company s budgeted levels. In addition to base salary and bonus opportunity, Mr. Adent was awarded 100,001 options on his date of hire, at an exercise price of $52.49, the closing price of the stock on that date. Based on the Company s 11% revenue increase over fiscal 2017, earnings which rose 45% over fiscal 2017, the Board s assessment of the level of attainment of his fiscal 2018 strategic goals, and the successful execution of the executive transition with Mr. Herbert, Mr. Adent was awarded a bonus of $180,000, or 80% of his targeted base bonus opportunity.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board has reviewed and discussed with management the Compensation Discussion and Analysis and, on the basis of such review and discussions, has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by:

Ronald D. Green, Ph.D. (Chairman)

Jack C. Parnell

James P. Tobin

Members of the Compensation Committee

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EXECUTIVE COMPENSATION

The table sets forth information regarding all elements of the compensation paid to the Company s named executive officers (principal executive officers, principal financial officer and three other most highly compensated executive officers) (the NEOs) for fiscal years 2016, 2017 and 2018.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Option Awards (1)	All Other Compensation (2)	Total
James L. Herbert	2018	$ 391,667	$ 180,000	$ 1,472,902	$ 18,723	$ 2,063,292
Executive Chairman	2017	450,000	190,000	1,498,523	16,318	2,154,841
	2016	425,000	175,000	1,248,811	14,464	1,863,275
John E. Adent (3)	2018	393,750	180,000	1,250,239	33,004	1,856,993
Chief Executive						
Officer & President						
Richard E. Calk, Jr.	2018	126,282			91,527	217,809
Former President & Chief	2017	345,000	82,000	315,478	11,634	754,112
Operating Officer (4)	2016	340,000	184,000	223,471	7,214	754,685
Steven J. Quinlan	2018	237,000	58,000	687,352	10,691	993,043
Vice President & Chief	2017	230,000	53,000	552,087	9,521	844,608
Financial Officer	2016	210,000	56,000	368,071	8,647	642,718
Edward L. Bradley (5)	2018	114,333			5,489	119,822
Former Vice President,	2017	190,000	43,000	473,218	8,489	714,707
Food Safety	2016	180,000	38,000	374,643	7,924	600,567
Terri A. Morrical	2018	196,000	72,000	589,189	9,115	866,304
Vice President,	2017	190,000	65,000	473,218	8,050	736,268
Animal Safety	2016	180,000	75,000	381,216	7,497	643,713

(1) Calculations use grant-date fair value based on Codification Topic 718 for stock option grants for the 2016, 2017 and 2018 fiscal years. For purpose of this disclosure, the calculations do not attribute the compensation cost to the requisite vesting period. For information on valuation assumptions, see Compensation Discussion and Analysis Compensation Elements Long-term Incentive Compensation.

(2) Includes 401(k) Plan matching contributions and value of group term life insurance. A total of $32,313 is included in All Other Compensation for relocation expenses for Mr. Adent. Included in All Other Compensation for Mr. Calk was $86,250 in severance costs. See Compensation Discussions and Analysis Compensation Elements for additional information on these amounts.

(3) Mr. Adent was hired as Chief Executive Officer on July 17, 2017 at an annual salary of $450,000. He added the title of President following the resignation of Mr. Calk.

(4) Mr. Calk resigned from the Company on September 22, 2017. He was paid a severance payment of $86,250, included in All Other Compensation, on his resignation. In fiscal 2016, he was paid a bonus of $134,000, based on attainment of agreed upon objectives through November 30, 2015, per his offer letter. He also received a payment of $25,000 in January 2016 upon his relocation to Lansing, Michigan. In fiscal 2017, he received an additional $25,000 bonus related to his performance in 2016.

(5) Mr. Bradley retired from the Company effective December 31, 2017.

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The following table sets forth the fiscal 2018 compensation cost recognized for fiscal 2018 awards or the portion of awards vested in fiscal 2018 from prior grants as shown in the Option Awards column:

Option Awards

Name	2018 Awards	2017 Awards	2016 Awards	2015 Awards	2014 Awards	Total
James L. Herbert	$ 158,931	$ 289,044	$ 245,680	$ 136,389	$ 52,504	$ 882,548
John E. Adent	200,591					200,591
Richard E. Calk, Jr. (1)		24,549	(44,376)	(62,501)		(82,328)
Steven J. Quinlan	74,168	106,491	72,421	25,846	7,876	286,802
Edward L. Bradley (1)		36,811	(74,398)	(67,085)	(34,840)	(72,427)
Terri A. Morrical	63,573	91,277	75,008	40,919	15,751	286,528

(1) Mr. Calk resigned on September 22, 2017 and Mr. Bradley retired on December 31, 2017. Neither individual received awards in fiscal 2018. Negative expense amounts represent the reversal of expense recognized in prior periods due to forfeiture of unvested options.

The following table indicates the mix of total direct compensation for the NEOs in fiscal 2018 based on salary, total bonus payment and the Codification Topic 718 compensation expense of fiscal 2018 option awards:

Name	Salary	Annual Bonus	Stock Option Grant-Date Value using Black-Scholes (1)
James L. Herbert	$ 350,000	$ 180,000	$ 1,472,902
John E. Adent	450,000	180,000	1,250,239
Richard E. Calk, Jr. (2)	345,000		
Steven J. Quinlan	237,000	58,000	687,352
Edward L. Bradley (3)	196,000		
Terri A. Morrical	196,000	72,000	589,169

(1) Calculations use grant-date fair value based on Codification Topic 718 for fiscal 2018 stock option grants. For purposes of this table, the calculations do not attribute the compensation cost to the requisite vesting period.

(2) Mr. Calk resigned on September 22, 2017.

(3) Mr. Bradley retired from the Company effective December 31, 2017.

Grants of Plan-Based Awards in the 2018 Fiscal Year

The following table sets forth additional information regarding the range of option awards granted to the NEOs in the year ended May 31, 2018 that are disclosed in the Summary Compensation Table.

Name	Grant Date (1)	Number of Securities Underlying Options	Exercise of Base Price of Options Awards (2)	Closing Market Price on Date of Grant	Grant-date Fair Value of Options Awards (3)
James L. Herbert	10/27/2017	100,001	$ 60.43	$ 60.43	$ 1,472,902
John E. Adent	7/17/2017	100,001	51.29	51.29	1,250,239
Richard E. Calk, Jr. (4)					
Steven J. Quinlan	10/27/2017	46,667	60.43	60.43	687,352

Edward L. Bradley (5)					
Terri A. Morrical	10/27/2017	40,001	60.43	60.43	589,169

(1) Represents the date the grants were made.

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(2) In accordance with the terms of the 2015 Plan, these options were granted at 100% of the closing market price on the day of the grant. Options have a five-year term and generally become exercisable as to 20% of the shares on each of the five anniversary dates of the grant.
(3) Represents grant-date value based on Codification Topic 718 for the option grants. For information on valuation assumptions, see Compensation Discussion and Analysis Compensation Elements Long-term, Incentive Compensation.
(4) Mr. Calk resigned on September 22, 2017. He was not awarded options during the 2018 fiscal year.
(5) Mr. Bradley retired from the Company effective December 31, 2017. He was not awarded options during the 2018 fiscal year.

Outstanding Equity Awards at May 31, 2018

This table sets forth information regarding unexercised options that were held by the NEOs at May 31, 2018. Mr. Calk resigned from the Company on September 22, 2017 and Mr. Bradley retired from the Company effective December 31, 2017. Each exercised all of their in-the-money exercisable options prior to May 31, 2018. Any other options previously issued to them which were not yet vested at their respective termination dates were forfeited on those dates.

Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (1)	Option Exercise Price	Option Expiration Date
James L. Herbert	8/30/2013		24,000	$ 27.05	8/30/2018
	10/1/2014		50,700	29.71	10/31/2019
	10/8/2015		76,000	35.34	11/8/2020
	9/29/2016		101,333	40.46	10/29/2021
	10/27/2017		100,001	60.43	11/27/2022
			352,004		
John E. Adent	7/17/2017		100,001	$ 51.29	8/17/2022
			100,001		
Steven J. Quinlan	8/30/2013		3,600	$ 27.05	8/30/2018
	10/1/2014		9,601	29.71	10/31/2019
	10/8/2015	3,802	22,399	35.34	11/8/2020
	9/29/2016	9,334	37,333	40.46	10/29/2021
	10/27/2017		46,667	60.43	11/27/2022
		13,136	119,600		
Terri A. Morrical	8/30/2013		7,200	$ 27.05	8/30/2018
	10/1/2014		15,201	29.71	10/31/2019
	10/8/2015	15,468	23,200	35.34	11/8/2020
	9/29/2016	8,000	32,000	40.46	10/29/2021
	10/27/2017		40,001	60.43	11/27/2022
		23,468	117,602		

(1) Vesting schedules for Incentive Stock and Non-Qualified Options are 20% of the shares on each of the first five anniversary dates of the grant.

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Option Exercises and Stock Vested in 2018 Fiscal Year

This table sets forth information with respect to option exercises by the NEOs during fiscal 2018.

Name	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)
James L. Herbert	122,219	$ 3,604,814
John E. Adent		
Richard E. Calk, Jr. .	21,335	514,048
Steven J. Quinlan	32,229	986,707
Edward L. Bradley	82,804	2,133,623
Terri A. Morrical	22,002	849,698

(1) Represents the difference between the exercise price and the closing price of the Common Stock as reported on the NASDAQ on the exercise date.
(2) Mr. Calk resigned on September 22, 2017.
(3) Mr. Bradley retired from the Company effective December 31, 2017.

Pension Benefits

The Company sponsors no defined benefit plans, therefore, none of the NEOs participates in a defined benefit plan sponsored by the Company.

Potential Payments upon Termination

The Company does not provide employment or severance agreements. The Company maintains a discretionary severance practice for all eligible employees, which could potentially include the NEOs. The discretionary practice provides for payments as determined by the Company as circumstances warrant.

CEO Pay Ratio

In accordance with the requirements of Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are required to disclose the ratio of our median employee s annual total compensation to the annual total compensation of our CEO. Mr. Adent was hired as CEO of the Company on July 17, 2017, and served as Chief Executive Officer on May 31, 2018, the determination date of the median employee. Because Mr. Adent did not serve as the Chief Executive Officer for the entirety of fiscal 2018, we elected to annualize the following components of his compensation for purposes of the pay ratio disclosure as if he were the Chief Executive officer for the full year ending May 31, 2018: base salary, annual incentive. No other adjustments were made to the remaining components of Mr. Adent s annual total compensation as reported in the 2018 Summary Compensation Table. As a result of these annualizing adjustments, for purposes of this pay ratio disclosure, Mr. Adent s annual total compensation of $1,913,243 for fiscal 2018 differs from the amount of $1,856,993 reported for Mr. Adent in the 2018 Summary Compensation Table (see page 26).

The annual compensation used for this analysis included each element of compensation listed in the Summary Compensation Table in this Proxy. We annualized the total compensation for any employee on the payroll at May 31, 2018, who was not employed for all of fiscal 2018. We then ranked all of our employees (except for Mr. Adent) in terms of total compensation from highest to lowest, and identified the employee that ranked as the median. Following this methodology, the components of our pay ratio disclosure for fiscal 2018 were reasonably estimated as follows:

The median of the total annual compensation for all of our employees other than Mr. Adent was $34,470.

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The total compensation of Mr. Adent was $1,913,243 (Mr. Adent s base salary was annualized, as he was not employed by the Company for all of fiscal 2018).

The ratio of Mr. Adent s compensation to the compensation of the median employee was 56:1.

The Pay Ratio disclosure presented above is a reasonable estimate. Because the SEC rules for identifying the median employee and calculating the pay ratio allow companies to use different methodologies, exemptions, estimates and assumptions, the Pay Ratio Disclosure may not be comparable to the ratio reported by other companies.

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COMPENSATION OF DIRECTORS

This table sets forth information regarding compensation paid during fiscal 2018 to directors who were not employees.

Name	Fees Earned Or Paid In Cash	Option Awards (1)	Total
William T. Boehm, Ph.D.	$ 38,500	$ 54,416	$ 92,916
James C. Borel	40,000	54,416	94,416
Ronald D. Green, Ph.D.	39,500	54,416	93,916
G. Bruce Papesh	40,500	54,416	94,916
Jack C. Parnell	41,000	54,416	95,416
Thomas H. Reed	41,000	54,416	95,416
James P. Tobin	39,500	54,416	93,916
Darci L. Vetter	21,000	90,697	111,697

(1) Calculations use grant-date fair value based on Codification Topic 718 for the fiscal 2018 stock option grants. For purpose of this disclosure, the calculations do not attribute the compensation cost to the requisite vesting period. For information on valuation assumptions, see Compensation Discussion and Analysis Compensation Elements Long-term Incentive Compensation.

The following table sets forth the fiscal 2018 compensation cost recognized for fiscal 2018 awards to directors and the portion of awards vested in fiscal 2018 from prior grants as shown in the Option Awards column.

Option Awards

Name	2018 Awards	2017 Awards	2016 Awards	Total
William T. Boehm, Ph.D.	$ 11,886	$ 16,079	$ 6,464	$ 34,429
James C. Borel	11,886	26,800		38,686
Ronald D. Green, Ph.D.	11,886	16,079	6,464	34,429
G. Bruce Papesh	11,886	16,079	6,464	34,429
Jack C. Parnell	11,886	16,079	6,464	34,429
Thomas H. Reed	11,886	16,079	6,464	34,429
James P. Tobin	11,886	26,800		38,686
Darci L. Vetter .	19,778			19,778

The grant-date fair value of the stock option awards granted in fiscal 2018, the compensation cost recognized for fiscal 2018 grants, and outstanding option awards at May 31, 2018 were:

Name	Grant-Date Fair Value based Codification Topic 718 for 2018 Grants	Compensation Cost Recognized for 2018 Grants	Option Awards Outstanding at May 31, 2018
William T. Boehm, Ph.D.	$ 54,416	11,886	34,000
James C. Borel	54,416	11,886	10,667
Ronald D. Green, Ph.D.	54,416	11,886	12,890
G. Bruce Papesh	54,416	11,886	44,000
Jack C. Parnell	54,416	11,886	32,000
Thomas H. Reed	54,416	11,886	38,000
James P. Tobin	54,416	11,886	10,667

Darci L. Vetter	90,697	19,778	6,667

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All non-employee Directors are granted non-qualified options to purchase 5,000 shares of Common Stock when first elected to the Board and are granted non-qualified options to purchase 3,000 shares of Common Stock upon subsequent election to, or commencement of annual service on, the Board. For option grants issued prior to 2017, the options expire ten years after the date of grant and vest over three years in equal annual installments commencing with the first anniversary of the date of grant. Effective with the 2017 grants, the options expire five years after the date of the grant and vest equally over three years in equal annual installments. Non-employee Directors receive an annual retainer of $32,000 (paid quarterly). Each director of the Board also receives $1,000 for each Board meeting and $500 for each committee meeting attended. All directors receive reimbursement for all ordinary travel expenses related to attendance at Board or committee meetings.

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AUDIT COMMITTEE REPORT

The undersigned constitute the Audit Committee of the Board of the Company. The Audit Committee serves in an oversight capacity and is not intended to be part of the Company s operational or managerial decision-making process. Management is responsible for the preparation, integrity and fair presentation of information in the consolidated financial statements, the financial reporting process and internal control over financial reporting. The Company s independent registered public accounting firm is responsible for performing independent audits of the consolidated financial statements and an audit of management s assessment of internal control over financial reporting. The Audit Committee monitors and oversees these processes. The Audit Committee also approves the selection and appointment of the Company s independent registered public accounting firm and recommends the ratification of such selection and appointment to the shareholders.

In this context, the Audit Committee met and held discussions with management and BDO throughout the year and reported the results of our activities to the Board. Specifically the following were completed:

- Reviewed and discussed the audited financial statements for the fiscal year ended May 31, 2018 with the Company s management;

- Discussed with BDO the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16, Communications with Audit Committees; and

- Received written disclosure regarding independence from BDO as required by applicable requirements of the Public Company Accounting Oversight Board for independent auditor communications with audit committees concerning their independence and discussed with BDO its independence.

Based on the above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company s fiscal year 2018 annual report on Form 10-K and the Company s annual report to shareholders.

Submitted by:

William T. Boehm, Ph.D. (Chairman)

James C. Borel

Thomas H. Reed

Members of the Audit Committee

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ADDITIONAL INFORMATION

Shareholder Proposals for the 2019 Annual Meeting

Shareholder proposals intended to be presented at the 2019 annual meeting of shareholders and that a shareholder would like to have included in the Proxy Statement and form of proxy relating to that meeting must be received by the Company at its principal executive offices at 620 Lesher Place, Lansing, Michigan, 48912 for consideration no later than April 30, 2019 to be considered for inclusion in the proxy statement and form of proxy related to that meeting. Such proposals of shareholders should be made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934.

Under the Company s Bylaws, proposals of shareholders intended to be submitted to a formal vote (other than proposals to be included in our proxy statement) at the 2019 annual meeting may be made only by a shareholder of record who has given notice of the proposal to the Secretary of the Company at our principal executive offices no earlier than 90 days and no later than 60 days prior to the anniversary of the preceding year s annual meeting; provided, however that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date or if the Company has not previously held an annual meeting, notice by the shareholder to be timely must be given no earlier than 90 days prior to such annual meeting and no later than 60 days prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. The notice must contain certain information as specified in our Bylaws. Assuming that our 2019 annual meeting is not advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the 2018 annual meeting, we must receive notice of an intention to introduce a nomination or other item of business at the 2019 annual meeting after July 6, 2019, and no later than August 5, 2019.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires beneficial owners of more than 10% of the Company s common stock, among others, to file reports with respect to changes in their ownership of common stock. During fiscal 2018, to the Company s knowledge, none of the directors, executive officers and 10% shareholders of the Company failed to comply with the requirements of Section 16(a).

Other Actions

At this time, no other matter other than those referred to above is known to be brought before the Annual Meeting. If any additional matter(s) should properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote said proxy in accordance with their judgment on such matter(s).

Notice of Internet Availability of Proxy Materials

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on October 4, 2018. See *http://www.neogen.com/en/investor-information* for a copy of the 2018 proxy statement and annual report.

Expenses of Solicitation

The cost of solicitation of proxies for the Annual Meeting is being paid by the Company. In addition to solicitation by mail, proxies may be solicited by officers, directors and regular employees of the Company personally, by telephone or other means of communication. The Company will, upon request, reimburse brokers and other nominees for their reasonable expenses in forwarding the proxy material to the beneficial owners of the stock held in street name by such persons.

By Order of the Board,

Steven J. Quinlan

Secretary

August 28, 2018

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Appendix A

NEOGEN CORPORATION

Neogen Corporation 2018 Omnibus Incentive Plan

(Effective , 2018)

1. Purposes of Plan. The purposes of this Plan are (a) to provide incentives and awards to Employees, Directors and Consultants of the Company and its Affiliates, by encouraging their ownership of Stock and (b) to aid the Company and its Affiliates in retaining such Employees, Directors and Consultants, upon whose efforts the Company s success and future growth depends, and attracting other such individuals.

2. Definitions. Except as otherwise defined in the Plan, the following terms shall have the meanings set forth below:

(a) **Affiliate** means, with respect to the Company, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. For purposes of clarity, Affiliate shall include all Subsidiaries of the Company.

(b) **Award** means individually or collectively, a grant under this Plan of Non-Qualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, or Other Stock and Stock Unit Awards. Each Award shall be evidenced by an Award Agreement containing such terms and conditions as the Committee may approve, but such terms and conditions shall be consistent with any applicable terms and conditions specified in the Plan.

(c) **Award Agreement** means an agreement, certificate, resolution or other form of writing or other evidence approved by the Committee which sets forth the terms and conditions of an Award. An Award Agreement may be in an electronic medium, may be limited to a notation on the Company s books and records and, if approved by the Committee, need not be signed by a representative of the Company or a Participant.

(d) **Beneficial Owner** shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act.

(e) **Board** or **Board of Directors** means the Board of Directors of the Company.

(f) **Cause** means, unless otherwise set forth in an applicable employment agreement with a Participant, Participant s (i) commission of a crime of moral turpitude or a felony that involves financial misconduct or moral turpitude or has resulted, or reasonably could be expected to result, in imprisonment of the Participant or any adverse publicity regarding Participant or the Company or economic injury to the Company, (ii) dishonesty or willful commission or omission of any action that has resulted, or reasonably could be expected to result, in any adverse publicity regarding Participant or the Company or has caused, or reasonably could be expected to cause, demonstrable and serious economic injury to the Company, or (iii) material breach of this Agreement, any other agreement entered into between a Participant and the Company or any Affiliates, or the Company s policies and procedures as may be implemented from time to time (other than as a result of the Disability of Participant or other factors outside of Participant s control) after notice and a reasonable opportunity to cure (if such breach can be cured).

(g) **Change in Control** shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(i) any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any of its Subsidiaries, any trustee, fiduciary or other person or entity holding securities under any employee benefit plan of the Company or any of its Subsidiaries), together with all affiliates and associates (as such terms are defined in Rule 12b-2 under the Exchange Act) of such person, shall become the Beneficial Owner, directly or indirectly, of securities of the Company representing 40 percent or more of either (A) the combined voting power of the Company s then outstanding securities having the right to vote in an election of the Company s Board of Directors (Voting Securities) or (B) the then outstanding Shares of the Company (in either such case other than as a result of acquisition of securities directly from the company); or

(ii) persons who, as of the Effective Date, constitute the Company s Board of Directors (the Incumbent Directors) cease for any reason, including, without limitation, as a result of a tender offer, proxy contest, merger or similar transaction, to constitute at least a majority of the Board, provided that any person becoming a director of the Company subsequent to the Effective Date whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors shall, for purposes of this Plan, be considered an Incumbent Director; or

(iii) if (A) the Company shall consolidate with, or merge with, any other Person and the Company shall not be the continuing or surviving corporation, (B) any Person shall consolidate with, or merge with, the Company, and the Company shall be the continuing or surviving corporation and in connection therewith, all or part of the outstanding Stock shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, (C) the Company shall be a party to a statutory share exchange with any other Person after which the Company is a Subsidiary of any other Person, or (D) the Company shall sell or otherwise transfer substantially all of the assets of the Company and its Subsidiaries (taken as a whole) to any Person or Persons.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Stock or other Voting Securities outstanding, increases (x) the proportionate number of shares of Stock beneficially owned by any person to 40 percent or more of the shares of Stock then outstanding or (y) the proportionate voting power represented by the Voting Securities beneficially owned by any person to 40 percent or more of the combined voting power of all then outstanding Voting Securities; provided, however, that if any person referred to in clause (x) or (y) of this sentence shall thereafter become the beneficial owner of any additional shares of Stock or other Voting Securities (other than pursuant to a share split, share dividend, or similar transaction or as a result of an acquisition of securities directly from the Company) and immediately thereafter beneficially owns 40 percent or more of the combined voting power of all then outstanding Voting Securities, then a Change in Control shall be deemed to have occurred for purposes of the foregoing clause (i).

Notwithstanding that anything else to the contrary contained in this Section 2(g) to the extent Change in Control is a payment trigger, and not merely a vesting trigger, for any 409A Award, a Change in Control shall not be deemed to have occurred unless such Change in Control is also a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, as described in Treas. Reg. Section 1.409A-3(i)(5).

(h) **Code** means the Internal Revenue Code of 1986 and any successor statute thereto, as amended, including the rules and regulations promulgated thereunder.

(i) **Committee** means the Stock Option Committee of the Board, or any other committee of the Board to the extent designated by resolution of the Board, which committee shall be constituted as provided in Section 3 hereof.

(j) **Company** means Neogen Corporation, or any successor thereto as provided in Article 18 hereof.

(k) **Consultant** means any natural person, including an advisor, engaged by the Company or an Affiliate to render bona fide services to such entity (other than in connection with the offer or sale of securities in a capital-raising transaction or to promote or maintain a market for the Company s securities).

(l) **Director** means a member of the Board, or a member of the board of directors of an Affiliate.

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nowrap="nowrap">108,944

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

35,381

34,445

Stock-based compensation

6,999

8,202

Loss on disposal of property, plant, and equipment

390

371

Provision for doubtful accounts

5,241

2,719

Deferred income taxes and tax uncertainties

(78)

(60)

Excess tax benefits from stock-based compensation

(267)

(3,686)

Changes in operating assets and liabilities:

Accounts receivable

7,581

(28,222)

Inventories

41,153

(58,055)

Prepaid expenses and other current assets

(10,362)

(11,424)

Other assets

653

2,140

Accounts payable and accrued liabilities

(8,265)

(7,767)

Total adjustments

78,426

(61,337)

Net cash provided by operating activities

182,980

47,607

Cash Flows from Investing Activities:

Expenditures for property, plant and equipment

(26,781)

(25,145)

Net cash used in investing activities

(26,781)

(25,145)

Cash Flows from Financing Activities:

Purchases of treasury stock

(19,212)

(26,298)

Payments of regular cash dividends

(52,948)

(49,468)

Payment of special cash dividend

—

(185,403)

Payments on capital lease and financing obligations

(367)

(1,322)

Excess tax benefits from stock-based compensation

267

3,686

Proceeds from sale of Class A common stock in connection with associate stock purchase plan

1,982

2,326

Proceeds from exercise of Class A common stock options

890

8,440

Borrowings under financing obligations

453

530

Borrowings under Credit Facility

66,000

298,000

Payment of borrowings under Credit Facility

(167,500)

(92,500)

Net cash used in financing activities

(170,435)

(42,009)

Effect of foreign exchange rate changes on cash and cash equivalents

(71)

(182)

Net decrease in cash and cash equivalents

(14,307)

(19,729)

Cash and cash equivalents—beginning of period

38,267

47,154

Cash and cash equivalents—end of period

$

23,960

$

27,425

Supplemental Disclosure of Cash Flow Information:

Cash paid for income taxes

$

70,511

$

68,036

Cash paid for interest

$

2,747

$

2,336

See accompanying notes to condensed consolidated financial statements.

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MSC INDUSTRIAL DIRECT CO., INC.

Notes to Condensed Consolidated Financial Statements

(Dollar amounts and shares in thousands, except per share data)

(Unaudited)

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements include MSC Industrial Direct Co., Inc. (“MSC”) and all of its subsidiaries (hereinafter referred to collectively as the “Company”). All intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring adjustments) have been included. Operating results for the thirteen and twenty-six week periods ended February 27, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending September 3, 2016. For further information, refer to the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended August 29, 2015.

The Company’s fiscal year ends on the Saturday closest to August 31 of each year. Unless the context requires otherwise, references to years contained herein pertain to the Company’s fiscal year. The Company’s 2016 fiscal year will be a 53-week accounting period that will end on September 3, 2016 and its 2015 fiscal year was a 52-week accounting period that ended on August 29, 2015.

Note 2. Net Income per Share

The Company’s non-vested restricted stock awards contain non-forfeitable rights to dividends and meet the criteria of a participating security as defined by Accounting Standards Codification ("ASC") Topic 260, “Earnings Per Share”. Under the two-class method, net income per share is computed by dividing net income allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, net income is allocated to both common shares and participating securities based on their respective weighted average shares outstanding for the period.

The following table sets forth the computation of basic and diluted net income per common share under the two-class method for the thirteen and twenty-six weeks ended February 27, 2016 and February 28, 2015, respectively:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	February 27, 2016	February 28, 2015	February 27, 2016	February 28, 2015
Net income as reported	$ 49,525	$ 51,527	$ 104,554	$ 108,944
Less: Distributed net income available to participating securities	(80)	(115)	(169)	(1,348)
Less: Undistributed net income available to participating securities	(106)	(182)	(266)	—
Numerator for basic net income per share:				
Undistributed and distributed net income available to common shareholders	$ 49,339	$ 51,230	$ 104,119	$ 107,596
Add: Undistributed net income allocated to participating securities	106	182	266	—
Less: Undistributed net income reallocated to participating securities	(106)	(182)	(265)	—
Numerator for diluted net income per share:				
Undistributed and distributed net income available to common shareholders	$ 49,339	$ 51,230	$ 104,120	$ 107,596
Denominator:				
Weighted average shares outstanding for basic net income per share	61,187	61,351	61,242	61,298
Effect of dilutive securities	126	215	119	256

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MSC INDUSTRIAL DIRECT CO., INC.

Notes to Condensed Consolidated Financial Statements

(Dollar amounts and shares in thousands, except per share data)

(Unaudited)

Weighted average shares outstanding for diluted net income per share	61,313	61,566	61,361	61,554
Net income per share Two-class method:				
Basic	$ 0.81	$ 0.84	$ 1.70	$ 1.76
Diluted	$ 0.80	$ 0.83	$ 1.70	$ 1.75

Antidilutive stock options of 1,025 were not included in the computation of diluted earnings per share for the thirteen and twenty-six week period ended February 27, 2016, respectively. Antidilutive stock options of 748 were not included in the computation of diluted earnings per share for the thirteen and twenty-six week period ended February 28, 2015.

Note 3. Stock-Based Compensation

The Company accounts for all share-based payments in accordance with ASC Topic 718, "Compensation—Stock Compensation" ("ASC 718"). The stock based compensation expense related to the stock option plans and the Associate Stock Purchase Plan included in operating expenses was $1,132 and $1,116 for the thirteen week periods ended February 27, 2016 and February 28, 2015, respectively, and $2,388 and $2,848, respectively, for the twenty-six week periods ended February 27, 2016 and February 28, 2015. Tax benefits related to these expenses for the thirteen week periods ended February 27, 2016 and February 28, 2015 were $405 and $388, respectively, and for the twenty-six week periods ended February 27, 2016 and February 28, 2015 were $856 and $1,015, respectively.

The fair value of each option grant is estimated on the date of grant using the Black Scholes option pricing model with the following assumptions:

	Twenty-Six Weeks Ended	
	February 27, 2016	February 28, 2015
Expected life (in years)	3.9	3.9
Risk-free interest rate	1.09 %	1.09 %
Expected volatility	21.82 %	24.49 %
Expected dividend yield	2.40 %	1.70 %
Weighted-average grant-date fair value	$ 8.03	$ 14.06

A summary of the Company’s stock option activity for the twenty-six week period ended February 27, 2016 is as follows:

	Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding on August 29, 2015	1,274	$ 73.10		
Granted	586	58.90		
Exercised	(23)	43.74		
Canceled/Forfeited	(56)	75.87		
Outstanding on February 27, 2016	1,781	$ 68.72	4.9	$ 10,460
Exercisable on February 27, 2016	732	$ 68.73	3.3	$ 3,859

The unrecognized share based compensation cost related to stock option expense at February 27, 2016 was $9,296 and will be recognized over a weighted average period of 3.0 years. The total intrinsic value of options exercised, which

MSC INDUSTRIAL DIRECT CO., INC.

Notes to Condensed Consolidated Financial Statements

(Dollar amounts and shares in thousands, except per share data)

(Unaudited)

represents the difference between the exercise price and market value of common stock measured at each individual exercise date, during the twenty-six week periods ended February 27, 2016 and February 28, 2015 was $481 and $2,330, respectively.

A summary of the non vested restricted share award ("RSA") activity under the Company's 2005 Omnibus Incentive Plan and 2015 Omnibus Incentive Plan for the twenty-six week period ended February 27, 2016 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value	
Non-vested restricted share awards at August 29, 2015	391	$	75.39
Granted	1		62.31
Vested	(108)		67.22
Canceled/Forfeited	(8)		78.03
Non-vested restricted share awards at February 27, 2016	276	$	78.47

The fair value of each RSA is the closing stock price on the New York Stock Exchange of the Company's Class A common stock on the date of grant. Upon vesting, a portion of the RSA award may be withheld to satisfy the minimum statutory withholding taxes. The remaining RSAs will be settled in shares of the Company's Class A common stock when vested. Stock based compensation expense recognized for the RSAs was $1,473 and $1,762 for the thirteen week periods ended February 27, 2016 and February 28, 2015, respectively, and $3,199 and $4,529 for the twenty-six week periods ended February 27, 2016 and February 28, 2015, respectively. The unrecognized compensation cost related to RSAs at February 27, 2016 was $12,262 and will be recognized over a weighted average period of 2.7 years.

A summary of the Company's non-vested Restricted Stock Unit ("RSU") award activity for the twenty-six week period ended February 27, 2016 is as follows:

	Shares		Weighted- Average Grant- Date Fair Value
Non-vested restricted stock unit awards at August 29, 2015	62	$	55.09

Granted	207	58.83
Vested	(1)	58.87
Canceled/Forfeited	(3)	58.81
Non-vested restricted stock unit awards at February 27, 2016	265	$ 57.95

The fair value of each RSU is the closing stock price on the New York Stock Exchange of the Company's Class A common stock on the date of grant. Upon vesting, a portion of the RSU award may be withheld to satisfy the minimum statutory withholding taxes. The remaining RSUs will be settled in shares of the Company's Class A common stock when vested. These awards accrue dividend equivalents on outstanding units (in the form of additional stock units) based on dividends declared on the Company's Class A common stock and these dividend equivalents convert to unrestricted common stock on the vesting dates of the underlying RSUs. The dividend equivalents are not included in the RSU table above. Stock based compensation expense recognized for the RSUs was $773 and $285 for the thirteen week periods ended February 27, 2016 and February 28, 2015, respectively, and $1,412 and $825 for the twenty-six week periods ended February 27, 2016 and February 28, 2015, respectively. The unrecognized compensation cost related to the RSUs at February 27, 2016 was $10,268 and is expected to be recognized over a weighted average period of 3.6 years.

Note 4. Fair Value

Fair value accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value

MSC INDUSTRIAL DIRECT CO., INC.

Notes to Condensed Consolidated Financial Statements

(Dollar amounts and shares in thousands, except per share data)

(Unaudited)

hierarchy prioritizes the inputs used to measure fair value into three levels, with Level 1 being of the highest priority. The three levels of inputs used to measure fair value are as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

In connection with the construction of the Company's customer fulfillment center in Columbus, Ohio, the Company entered into an arrangement during fiscal 2013 with the Columbus-Franklin County Finance Authority ("Finance Authority") which provides savings on state and local sales taxes imposed on construction materials to entities that finance the transactions through them. Under this arrangement, the Finance Authority issued taxable bonds to finance the structure and site improvements of the Company's customer fulfillment center. The bonds ($27,023 at both February 27, 2016 and August 29, 2015) are classified as available for sale securities in accordance with ASC Topic 320. The securities are recorded at fair value in Other Assets in the Consolidated Balance Sheet. The fair values of these securities are based on observable inputs in non-active markets, which are therefore classified as Level 2 in the hierarchy. The Company did not record any gains or losses on these securities during the twenty-six week period ended February 27, 2016. The outstanding principal amount of each bond bears interest at the rate of 2.4% per year. Interest is payable on a semiannual basis in arrears on each interest payment date.

In addition, based on borrowing rates currently available to the Company for borrowings with similar terms, the carrying values of the Company's capital lease obligations also approximate fair value. The fair value of the Company's long-term debt, including current maturities, is estimated based on quoted market prices for the same or similar issues or on current rates offered to the Company for debt of the same remaining maturities. The carrying amount of the Company's debt at February 27, 2016 approximates its fair value.

The Company's financial instruments, other than those presented in the disclosure above, include cash, receivables, accounts payable, and accrued liabilities. Management believes the carrying amount of the aforementioned financial instruments is a reasonable estimate of fair value as of February 27, 2016 and August 29, 2015 due to the short-term maturity of these items.

During the twenty-six weeks ended February 27, 2016 and February 28, 2015, the Company had no measurements of non-financial assets or liabilities at fair value on a non-recurring basis subsequent to their initial recognition.

Note 5. Debt and Capital Lease Obligations

Debt at February 27, 2016 and August 29, 2015 consisted of the following:

	February 27, 2016	August 29, 2015
	(Dollars in thousands)	
Credit Facility:		
Revolving credit note	$ 99,000	$ 188,000
Term loan	200,000	212,500
Capital lease and financing obligations	28,999	27,804
Total debt	$ 327,999	$ 428,304
Less: current portion of Credit Facility	(136,500)	(213,000)
Less: current portion of capital lease and financing obligations	(965)	(515)
Long-term debt	$ 190,534	$ 214,789

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Credit Facility

In April 2013, in connection with the acquisition of the Class C Solutions Group ("CCSG"), the Company entered into a $650,000 credit facility (the "Credit Facility"). The Credit Facility, which matures in April 2018, provides for a five-year unsecured revolving loan facility in the aggregate amount of $400,000 and a five-year unsecured term loan facility in the aggregate amount of $250,000.

The Credit Facility also permits the Company, at its request, and upon the satisfaction of certain conditions, to add one or more incremental term loan facilities and/or increase the revolving loan commitments in an aggregate amount not to exceed $200,000. Subject to certain limitations, each such incremental term loan facility or revolving commitment increase will be on terms as agreed to by the Company, the Administrative Agent and the lenders providing such financing.

Borrowings under the Credit Facility bear interest, at the Company's option, either at (i) the LIBOR (London Interbank Offered Rate) rate plus the applicable margin for LIBOR loans ranging from 1.00% to 1.375%, based on the Company's consolidated leverage ratio; or (ii) the greatest of (a) the Administrative Agent's prime rate in effect on such day, (b) the federal funds effective rate in effect on such day, plus 0.50% and (c) the LIBOR rate that would be calculated as of such day in respect of a proposed LIBOR loan with a one-month interest period, plus 1.00%, plus, in the case of each of clauses (a) through (c), an applicable margin ranging from 0.00% to 0.375%, based on the Company's consolidated leverage ratio. The Company is required to pay a quarterly undrawn fee ranging from 0.10% to 0.20% per annum on the unutilized portion of the Credit Facility based on the Company's consolidated leverage ratio. The Company is also required to pay quarterly letter of credit usage fees ranging between 1.00% to 1.375% (based on the Company's consolidated leverage ratio) on the amount of the daily average outstanding letters of credit, and a quarterly fronting fee of 0.125% per annum on the undrawn and unexpired amount of each letter of credit. The applicable borrowing rate for the Company for any borrowings outstanding under the Credit Facility at February 27, 2016 was 1.43% which represents LIBOR plus 1.00%. Based on the interest period the Company selects, interest may be payable every one, two, three or six months. Interest is reset at the end of each interest period. The Company currently elects to have loans under the Credit Facility bear interest based on LIBOR with one-month interest periods.

The Credit Facility contains several restrictive covenants including the requirement that the Company maintain a maximum consolidated leverage ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation, amortization and stock based compensation) of no more than 3.00 to 1.00, and a minimum consolidated interest coverage ratio of EBITDA to total interest expense of at least 3.00 to 1.00, during the term of the Credit Facility. Borrowings under the Credit Facility are guaranteed by certain of the Company's subsidiaries.

During the twenty-six week period ended February 27, 2016, the Company borrowed $66,000 under the revolving loan facility and repaid $155,000 and $12,500 of the revolving loan facility and the term loan facility, respectively. At February 27, 2016 and August 29, 2015, the Company was in compliance with the operating and financial covenants of the Credit Facility.

Capital Lease and Financing Obligations

In connection with the construction of the Company's customer fulfillment center in Columbus, Ohio, the Finance Authority holds the title to the building and entered into a long-term lease with the Company. The lease has a 20-year term with a prepayment option without penalty between 7 and 20 years. At the end of the lease term, the building's title is transferred to the Company for a nominal amount when the principal of and interest on the bonds have been fully paid. The lease has been classified as a capital lease in accordance with ASC Topic 840. At February 27, 2016 and August 29, 2015, the capital lease obligation was approximately $27,023.   Under this arrangement, the Finance Authority has issued taxable bonds to finance the structure and site improvements of the Company's customer fulfillment center in the amount of $27,023 at both February 27, 2016 and August 29, 2015.

From time to time, the Company enters into capital leases and financing arrangements with vendors to purchase certain equipment. The equipment acquired from these vendors is paid over a specified period of time based on the terms agreed upon. During the twenty-six week period ended February 27, 2016, the Company entered into a capital lease and

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various financing obligations for certain information technology equipment totaling $1,321 and $453, respectively. During the fiscal year ended August 29, 2015, the Company entered into various financing obligations for certain information technology equipment totaling $530. The gross amount of property and equipment acquired under these capital leases and financing agreements at February 27, 2016 and August 29, 2015 was approximately $30,227 and $32,535 respectively. Related accumulated amortization totaled $2,152 and $4,815 as of February 27, 2016 and August 29, 2015, respectively.

Note 6. Shareholders' Equity

The Company paid regular cash dividends of $0.86 per common share totaling $52,948 for the twenty-six weeks ended February 27, 2016. For the twenty-six weeks ended February 28, 2015, the Company paid cash dividends of $234,871 which consisted of a special cash dividend of $3.00 per common share and regular cash dividends of $0.80 per common share totaling $185,403 and $49,468, respectively. On March 31, 2016, the Board of Directors declared a quarterly cash dividend of $0.43 per share payable on April 26, 2016 to shareholders of record at the close of business on April 12, 2016. The dividend will result in a payout of approximately $26,390, based on the number of shares outstanding at March 31, 2016.

The Board of Directors established the MSC Stock Repurchase Plan (the "Repurchase Plan") which allows the Company to repurchase shares at any time and in any increments it deems appropriate in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the twenty-six week period ended February 27, 2016, the Company repurchased 335 shares of its Class A common stock for $19,212, which is reflected at cost as treasury stock in the accompanying condensed consolidated financial statements. Approximately 36 of these shares were repurchased by the Company to satisfy the Company's associates' tax withholding liability associated with its share-based compensation program. As of February 27, 2016, the maximum number of shares that can be repurchased under the Repurchase Plan was 1,444 shares.

Note 7. Product Warranties

The Company generally offers a maximum one-year warranty, including parts and labor, for some of its machinery products. The specific terms and conditions of those warranties vary depending upon the product sold. The Company may be able to recoup some of these costs through product warranties it holds with its original equipment manufacturers, which typically range from thirty to ninety days. In general, many of the Company's general merchandise products are covered by third party original equipment manufacturers' warranties. The Company's warranty expense for the thirteen and twenty-six week periods ended February 27, 2016 and February 28, 2015 was minimal.

Note 8. Income Taxes

During the twenty-six week period ended February 27, 2016, there were no material changes in unrecognized tax benefits.

Note 9. Legal Proceedings

There are various claims, lawsuits, and pending actions against the Company incidental to the operation of its business. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Note 10. Recently Issued Accounting Standards

Share-based Payments

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted. The Company is currently evaluating the impact the adoption of the pronouncement may have

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on its financial position, results of operations or cash flows.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. ASU 2016-02 requires reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. ASU 2016-02 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018. The guidance will be applied on a modified retrospective basis beginning with the earliest period presented. We are currently evaluating this standard to determine the impact of adoption on our consolidated financial statements.

Deferred Taxes

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This update requires an entity to classify deferred tax liabilities and assets as non-current within a classified balance sheet. ASU 2015-17 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. This update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early application is permitted. The Company does not expect adoption of ASU 2015-17 to have a material impact on its financial position, results of operations or cash flows.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory (Topic 330), which requires an entity to measure inventory at the lower of cost or net realizable value, which consists of the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. For public entities, the updated guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The guidance is to be applied prospectively with earlier application permitted. The Company does not expect adoption of ASU 2015-11 to have a material impact on its financial position, results of operations or cash flows.

Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs (Subtopic 835-30), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. For public business entities, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Entities should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, entities are required to comply with the applicable disclosures for a change in an accounting principle. The Company does not expect adoption of ASU 2015-03 to have a material impact on its financial position, results of operations or cash flows.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective for the Company for its fiscal 2019 first quarter. Early application is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has neither selected a transition method, nor determined the impact that the adoption of the pronouncement may have on its financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is intended to update the information contained in the Company's Annual Report on Form 10-K for the fiscal year ended August 29, 2015 and presumes that readers have access to, and will have read, "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in such Annual Report on Form 10-K.

General

MSC Industrial Direct Co., Inc. (together with its subsidiaries, "MSC," the "Company," "we," "our," or "us") is a leading Nort American distributor of a broad range of metalworking and maintenance, repair, and operations ("MRO") products and services. Our goal is to help our customers drive greater productivity, profitability and growth with more than one million products, inventory management and other supply chain solutions, and deep expertise from 75 years of working with customers across industries. We continue to implement our strategies to gain market share, generate new customers, increase sales to existing customers, and diversify our customer base.

Our experienced team of more than 6,500 associates works with our customers to help drive results for their businesses, from keeping operations running efficiently today to continuously rethinking, retooling, and optimizing for a more productive tomorrow. We offer approximately 1,075,000 stock-keeping units ("SKUs") through our master catalogs; weekly, monthly and quarterly specialty and promotional catalogs; brochures; and the Internet, including our websites, mscdirect.com, and use-enco.com (the "MSC Websites"). We service our customers from 12 customer fulfillment centers (eight customer fulfillment centers are located within the United States which includes five primary customer fulfillment centers, one is located in the United Kingdom (the "U.K."), and three are located in Canada) and 95 branch offices. Many of our products are carried in stock, and orders for these in-stock products are typically fulfilled the day on which the order is received.

Our field sales and service associate headcount was 2,316 at February 27, 2016, compared to 2,350 at August 29, 2015 and 2,353 at February 28, 2015. Beginning in fiscal 2016, we have adjusted this headcount metric to include both field sales associates and service personnel. We believe this better reflects our company as a sales and service organization given our increased concentration in inventory management solutions, including Vendor Managed Inventory ("VMI") systems and vending machine systems. Prior year amounts have been restated to conform to the fiscal 2016 presentation. We will continue to manage our sales and service headcount based on economic conditions and our selected mix of growth investments.

Business Environment

We utilize various indices when evaluating the level of our business activity. Approximately 69% of our revenues came from sales in the manufacturing sector during the first two quarters of our fiscal year 2016, including certain national account customers. The Institute for Supply Management's Purchasing Manager's Index ("PMI"), which measures the economic activity of the U.S. manufacturing sector, is important to our planning because it historically has been an indicator of our manufacturing customers' activity. In addition to the PMI, we utilize The Metalworking Business Index ("MBI"). The MBI measures the economic activity of the metalworking industry, focusing only on durable goods manufacturing. For both indices, a value below 50.0 generally indicates contraction and a value above 50.0 generally indicates expansion. These indices have indicated contraction over the past several months correlating with the overall downturn in the industrial economy as follows:

Period	PMI	MBI
December	48.0	44.0
January	48.2	44.4
February	49.5	46.3
Fiscal 2016 YTD average	48.9	44.2
12 month average	50.5	45.9

The PMI and MBI evidenced a contracting manufacturing sector environment over the past fiscal quarter, although at a slower rate. Details released with the March 2016 PMI of 51.8% indicate expansion in manufacturing for the first time since August 2015, including growth in new orders, production, and pricing. The March 2016 MBI of 49.7 evidenced a contracting manufacturing sector environment at a slower rate in relation to the past fiscal quarter. New orders, production, and pricing changed from contracting to growing during the month.

We will continue to monitor the current economic conditions for its impact on our customers and markets and continue to assess both risks and opportunities that may affect our business.

Thirteen Week Period Ended February 27, 2016 Compared to the Thirteen Week Period Ended February 28, 2015

The table below summarizes the Company's results of operations both in dollars (in thousands) and as a percentage of net sales for the periods indicated:

	Thirteen Weeks Ended February 27, 2016		February 28, 2015		Change	
	$	%	$	%	$	%
Net sales	$ 684,117	100.0%	$ 706,400	100.0%	$ (22,283)	(3.2)%
Cost of goods sold	375,326	54.9%	385,526	54.6%	(10,200)	(2.6)%
Gross profit	308,791	45.1%	320,874	45.4%	(12,083)	(3.8)%
Operating expenses	228,249	33.4%	235,000	33.3%	(6,751)	(2.9)%
Income from operations	80,542	11.8%	85,874	12.2%	(5,332)	(6.2)%
Total other expense	(392)	(0.1)%	(2,157)	(0.3)%	1,765	(81.8)%
Income before provision for income taxes	80,150	11.7%	83,717	11.9%	(3,567)	(4.3)%
Provision for income taxes	30,625	4.5%	32,190	4.6%	(1,565)	(4.9)%
Net income	$ 49,525	7.2%	$ 51,527	7.3%	$ (2,002)	(3.9)%

Net Sales

Net sales decreased 3.2% or approximately $22.3 million, for the thirteen week period ended February 27, 2016. We estimate that this $22.3 million decrease in net sales is comprised of (i) approximately $18.5 million of lower sales volume, (ii) approximately $1.9 million from foreign exchange impact, and (iii) approximately $1.9 million from pricing, which includes changes in customer and product mix, discounting and other items. Of the above $22.3 million decrease in net sales, sales to our Large Account Customers increased by approximately $3.4 million, offset by a decrease in our remaining business by approximately $25.7 million.

The table below shows the change in our average daily sales by total company and by customer type for the thirteen week period ended February 27, 2016 compared to the same period in the prior fiscal year:

Average Daily Sales Percentage Change
(unaudited)

2016 vs. 2015 Fiscal Period	Thirteen Week Period Ended Fiscal Q2	% of Total Business
Total Company	(3.2) %	
Manufacturing Customers(1)	(5.6) %	68 %
Non-Manufacturing Customers(1)	2.6 %	32 %

(1) Excludes U.K. operations.

Exclusive of customers in the U.K., average order size increased to approximately $409 for the thirteen week period ended February 27, 2016 as compared to $407 for the same period in the prior fiscal year.

We believe that our ability to transact business with our customers through various electronic portals and directly through the MSC Websites gives us a competitive advantage over smaller suppliers. Sales made through our eCommerce platforms, including sales made through Electronic Data Interchange (“EDI”) systems, VMI systems, Extensible Markup Language ordering based systems, vending machine systems, hosted systems and other electronic portals (“eCommerce platforms”), represented 57.8% of consolidated net sales for the thirteen week period ended February 27, 2016, compared to 55.4% of consolidated net sales for the same period in the prior fiscal year. This increase was primarily associated with the MSC Websites, EDI, and vending machine systems.

Gross Profit

Gross profit margin was 45.1% for the thirteen week period ended February 27, 2016 as compared to 45.4% for the same period in the prior fiscal year. The decline was primarily a result of changes in pricing and customer and product mix.

Operating Expenses

Operating expenses decreased 2.9% to $228.2 million for the thirteen week period ended February 27, 2016, as compared to $235.0 million for the same period in the prior fiscal year. This decrease was primarily the result of cost savings initiatives implemented during the second half of fiscal 2015 and fiscal 2016, including freight expense, lower variable payroll costs, as well as the ongoing monitoring of discretionary spending. Freight expense was approximately $27.5 million for the thirteen week period ended February 27, 2016, as compared to approximately $30.7 million for the thirteen week period ended February 28, 2015. These decreases were partially offset by increases in medical costs and the incentive compensation accrual.

Operating expenses were 33.4% of net sales for the thirteen week periods ended February 27, 2016 compared to 33.3% of net sales for the same period in the prior fiscal year.

Payroll and payroll related costs increased to approximately 56.7% of total operating expenses for the thirteen week period ended February 27, 2016, as compared to approximately 54.0% for the thirteen week period ended February 28, 2015. Included in these costs are salary, incentive compensation, sales commission and fringe benefit costs. Increases in fringe benefit costs and the incentive compensation accrual were the main drivers for the increase in payroll and payroll related costs for the thirteen week period ended February 27, 2016, as compared to the same period in the prior fiscal year. Effective January 1, 2016, the Company transitioned from a self-insured plan to a fully insured private healthcare exchange. As a result of associates anticipating this transition, the Company experienced increased medical costs in December 2015. The incentive compensation accrual increased as the fiscal 2016 bonus payout is expected to be made at higher levels than fiscal 2015. These increases were partially offset by lower variable payroll costs, including sales salaries and commissions.

Income from Operations

Income from operations decreased 6.2% to $80.5 million for the thirteen week period ended February 27, 2016, as compared to $85.9 million for the same period in the prior fiscal year. This decrease was primarily attributable to the decrease in gross profit, offset in part by the decrease in operating expenses discussed above. Income from operations as a percentage of net sales decreased to 11.8% for the thirteen week period ended February 27, 2016, as compared to 12.2% for the same period in the prior fiscal year primarily due to a decrease in gross profit margin as discussed above.

Provision for Income Taxes

The effective tax rate for the thirteen week period ended February 27, 2016 was 38.2%, as compared to 38.5% for the same period in the prior fiscal year.

Net Income

The factors which affected net income for the thirteen week period ended February 27, 2016, as compared to the same period in the previous fiscal year, have been discussed above.

Twenty-Six Week Period Ended February 27, 2016 Compared to the Twenty-Six Week Period Ended February 28, 2015

The table below summarizes the Company's results of operations both in dollars (in thousands) and as a percentage of net sales for the periods indicated:

	Twenty-Six Weeks Ended					
	February 27, 2016		February 28, 2015		Change	
	$	%	$	%	$	%
Net sales	$ 1,390,936	100.0%	$ 1,437,491	100.0%	$ (46,555)	(3.2)%
Cost of goods sold	763,173	54.9%	786,468	54.7%	(23,295)	(3.0)%
Gross profit	627,763	45.1%	651,023	45.3%	(23,260)	(3.6)%
Operating expenses	456,833	32.8%	471,178	32.8%	(14,345)	(3.0)%
Income from operations	170,930	12.3%	179,845	12.5%	(8,915)	(5.0)%
Total other expense	(1,722)	(0.1)%	(2,919)	(0.2)%	1,197	(41.0)%
Income before provision for income taxes	169,208	12.2%	176,926	12.3%	(7,718)	(4.4)%
Provision for income taxes	64,654	4.6%	67,982	4.7%	(3,328)	(4.9)%
Net income	$ 104,554	7.5%	$ 108,944	7.6%	$ (4,390)	(4.0)%

Net Sales

Net sales decreased 3.2% or approximately $46.6 million, for the twenty-six week period ended February 27, 2016. We estimate that this $46.6 million decrease in net sales is comprised of (i) approximately $43.0 million of lower sales volume, (ii) approximately $4.1 million from foreign exchange impact, partially offset by (iii) approximately $0.5 million from pricing, which includes changes in customer and product mix, discounting and other items. Of the above $46.6 million decrease in net sales, sales to our Large Account Customers increased by approximately $9.4 million, offset by a decrease in our remaining business by approximately $56.0 million.

The table below shows the change in our average daily sales by total company and by customer type for the twenty-six week period ended February 27, 2016 compared to the same period in the prior fiscal year:

Average Daily Sales Percentage Change
(unaudited)

2016 vs. 2015 Fiscal Period	Twenty-Six Week Period Ended Fiscal Q2		% of Total Business	
Total Company	(3.2)	%		
Manufacturing Customers(1)	(5.2)	%	69	%
Non-Manufacturing Customers(1)	1.9	%	31	%

(1) Excludes U.K. operations.

Exclusive of customers in the U.K., average order size increased to approximately $413 for the twenty-six week period ended February 27, 2016 as compared to $410 for the same period in the prior fiscal year.

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Sales made through our eCommerce platforms represented 57.4% of consolidated net sales for the twenty-six week period ended February 27, 2016, compared to 54.9% of consolidated net sales for the same period in the prior fiscal year. This increase was primarily associated with the MSC Websites, EDI, and vending machine systems.

Gross Profit

Gross profit margin was 45.1% for the twenty-six week period ended February 27, 2016 as compared to 45.3% for the same period in the prior fiscal year. The decline was primarily a result of changes in pricing and customer and product mix.

Operating Expenses

Operating expenses decreased 3.0% to $456.8 million for the twenty-six week period ended February 27, 2016, as compared to $471.2 million for the same period in the prior fiscal year. This decrease was primarily the result of cost savings initiatives implemented during the second half of fiscal 2015 and fiscal 2016, including freight expense, lower variable payroll costs, as well as the ongoing monitoring of discretionary spending. Freight expense was approximately $57.2 million for the twenty-six week period ended February 27, 2016, as compared to approximately $63.3 million for the twenty-six week period ended February 28, 2015. These decreases were partially offset by increases in medical costs, the incentive compensation accrual, and the provision for doubtful accounts.

Operating expenses were 32.8% of net sales for both twenty-six week periods ended February 27, 2016 and February 28, 2015.

Payroll and payroll related costs increased to approximately 55.9% of total operating expenses for the twenty-six week period ended February 27, 2016, as compared to approximately 52.9% for the twenty-six week period ended February 28, 2015. Included in these costs are salary, incentive compensation, sales commission and fringe benefit costs. Increases in fringe benefit costs and the incentive compensation accrual were the main drivers for the increase in payroll and payroll related costs for the twenty-six week period ended February 27, 2016, as compared to the same period in the prior fiscal year. Effective January 1, 2016, the Company transitioned from a self-insured plan to a fully insured private healthcare exchange. As a result of associates anticipating this transition, the Company experienced increased medical costs in December 2015. The incentive compensation accrual increased as the fiscal 2016 bonus payout is expected to be made at higher levels than fiscal 2015. These increases were partially offset by lower variable payroll costs, including sales salaries and commissions.

Income from Operations

Income from operations decreased 5.0% to $170.9 million for the twenty-six week period ended February 27, 2016, as compared to $179.8 million for the same period in the prior fiscal year. This decrease was primarily attributable to the decrease in gross profit, offset in part by the decrease in operating expenses discussed above. Income from operations as a percentage of net sales decreased to 12.3% for the twenty-six week period ended February 27, 2016, as compared to 12.5% for the same period in the prior fiscal year primarily due to a decrease in gross profit margin as discussed above.

Provision for Income Taxes

The effective tax rate for the twenty-six week period ended February 27, 2016 was 38.2%, as compared to 38.4% for the same period in the prior fiscal year.

Net Income

The factors which affected net income for the twenty-six week period ended February 27, 2016, as compared to the same period in the previous fiscal year, have been discussed above.

Liquidity and Capital Resources

As of February 27, 2016, we held $24.0 million in cash and cash equivalent funds. We maintain a substantial portion of our cash, and invest our cash equivalents, with well-known financial institutions. Historically, our primary capital needs have been to fund our working capital requirements necessitated by our sales growth, the costs of acquisitions, adding new products, new facilities, facility expansions, investments in vending solutions, technology investments, and productivity investments. Cash generated from operations, together with borrowings under credit facilities, have been used to fund these needs, to repurchase shares of our Class A common stock, and to pay dividends. At February 27, 2016, total borrowings outstanding, representing amounts due under the Credit Facility (discussed below) and all capital leases and financing arrangements, were approximately $328.0 million. At August 29, 2015, total borrowings outstanding, representing amounts due under the Credit Facility and all capital leases and financing arrangements, were approximately $428.3 million.

As a distributor, our use of capital is largely for working capital to support our revenue base. Capital commitments for property, plant and equipment generally are limited to information technology assets, warehouse equipment, office furniture and fixtures, building and leasehold improvements, construction and expansion, and vending machines. Therefore, the amount of cash consumed or generated by operations other than from net earnings will primarily be due to changes in working capital as a result of the rate of increases or decreases in sales.

We believe, based on our current business plan, that our existing cash, cash equivalents, funds available under our revolving credit facility, and cash flow from operations will be sufficient to fund our planned capital expenditures and operating cash requirements for at least the next 12 months.

We are continuing to take advantage of our strong balance sheet, which enables us to maintain optimal inventory and service levels to meet customer demands, while many of our smaller competitors in our fragmented industry continue to have difficulties in offering competitive service levels. We also believe that customers will continue to seek cost reductions and shorter cycle times from their suppliers. Our business model focuses on providing overall procurement cost reduction and just-in-time delivery to meet our customers' needs. We focus on offering inventory, process and procurement solutions that reduce MRO supply chain costs and improve plant floor productivity for our customers. We will seek to continue to drive cost reduction throughout our business through cost saving strategies and increased leverage from our existing infrastructure, and continue to provide additional procurement cost savings solutions to our customers through technology such as our Customer Managed Inventory ("CMI"), VMI, and vending programs.

The table below summarizes information regarding the Company's liquidity and capital resources:

	Twenty-Six Weeks Ended	
	February 27, 2016	February 28, 2015
	(Amounts in thousands)	
Net cash provided by operating activities	$ 182,980	$ 47,607
Net cash used in investing activities	$ (26,781)	$ (25,145)
Net cash used in financing activities	$ (170,435)	$ (42,009)
Effect of foreign exchange rate changes on cash and cash equivalents	$ (71)	$ (182)
Net decrease in cash and cash equivalents	$ (14,307)	$ (19,729)

Operating Activities

Net cash provided by operating activities for the twenty-six week periods ended February 27, 2016 and February 28, 2015 was $183.0 million and $47.6 million, respectively. There are various increases and decreases contributing to this change. Decreases in inventories and accounts receivable as a result of decreased sales volume contributed to the majority of the increase in net cash provided by operating activities.

The table below provides the Company's working capital and current ratio:

	February 27, 2016	August 29, 2015	February 28, 2015
	(Dollars in thousands)		
Working Capital	$ 638,981	$ 609,739	$ 520,630
Current Ratio	2.9	2.4	2.0

The increase in working capital and the current ratio at February 27, 2016 compared to August 29, 2015 and February 28, 2015, is primarily related to the repayments under the revolving loan facility in fiscal 2016, partially offset by the decreases in inventories and accounts receivable.

Investing Activities

Net cash used in investing activities for the twenty-six week periods ended February 27, 2016 and February 28, 2015 was $26.8 million and $25.1 million, respectively. This increase is primarily due to capital expenditures related to our customer fulfillment centers, including the completion of an expansion at our Harrisburg, PA facility.

Financing Activities

Net cash used in financing activities for the twenty-six week periods ended February 27, 2016 and February 28, 2015 was $170.4 million and $42.0 million, respectively. The major components contributing to the use of cash for the twenty-six week period ended February 27, 2016 were repayments on the Credit Facility of $167.5 million related to both the revolving loan facility and term loan facility, cash dividends paid of $52.9 million, and the repurchase of shares of Class A common stock of $19.2 million. This was partially offset by borrowings under the revolving loan facility in the amount of $66.0 million. The major components contributing to the use of cash for the twenty-six week period ended February 28, 2015 were cash dividends paid of $234.9 million, and repayments on the Credit Facility of $92.5 million related to both the revolving loan facility and term loan facility. This was partially offset by borrowings under the revolving loan facility in the amount of $298.0 million.

Long-term Debt and Credit Facilities

In April 2013, in connection with the acquisition of CCSG, we entered into a $650.0 million credit facility (the “Credit Facility”). The Credit Facility, which matures in April 2018, provides for a five-year unsecured revolving loan facility in the aggregate amount of $400.0 million and a five-year unsecured term loan facility in the aggregate amount of $250.0 million.

During the twenty-six week period ended February 27, 2016, we borrowed $66.0 million under the revolving loan facility and repaid $155.0 million of the revolving loan balance and $12.5 million of the term loan. As of February 27, 2016, there were $200.0 million and $99.0 million of borrowings outstanding under the term loan facility and the revolving credit facility, respectively, of which $136.5 million represents current maturities. As of August 29, 2015, there were $212.5 million and $188.0 million of borrowings outstanding under the term loan facility and the revolving credit facility, respectively, of which $213.0 million represents current maturities.

At February 27, 2016, we were in compliance with the operating and financial covenants of the Credit Facility. The Company repaid borrowings of $45.0 million under the revolving loan facility and $6.3 million under the term loan facility in March 2016. The current unused balance of $346.0 million of the revolving loan facility is available for working capital purposes, if necessary.

Related Party Transactions

We are affiliated with one real estate entity (the “Affiliate”), which leased property to us as of February 27, 2016. The Affiliate is owned by our principal shareholders (Mitchell Jacobson, our Chairman, and his sister, Marjorie Gershwind Fiverson, and by their family related trusts). We paid rent under an operating lease to the Affiliate for the twenty-six weeks ended February 27, 2016 of approximately $1.2 million, in connection with our occupancy of our Atlanta

Customer Fulfillment Center.

Contractual Obligations

Capital Lease and Financing Arrangements

In connection with the construction of the Company's customer fulfillment center in Columbus, Ohio, the Company entered into a long-term lease with the Columbus-Franklin County Finance Authority. The lease has been classified as a capital lease in accordance with ASC Topic 840. At February 27, 2016, the capital lease obligation was approximately $27.0 million.

From time to time, we enter into capital leases and financing arrangements to purchase certain equipment. Excluding the Columbus facility capital lease discussed above, we currently have various capital leases and financing obligations for

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certain information technology equipment in the amount of $3.5 million, of which $2.0 million remains outstanding at February 27, 2016. Refer to Note 5 in our condensed consolidated financial statements.

Operating Leases

As of February 27, 2016, certain of our operations are conducted on leased premises, of which one location is leased from an Affiliate (which requires us to provide for the payment of real estate taxes and other operating costs), as noted above. These leases are for varying periods, the longest extending to the year 2030. In addition, we are obligated under certain equipment and automobile operating leases, which expire on varying dates through 2020.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

Critical Accounting Estimates

On an ongoing basis, we evaluate our critical accounting policies and estimates, including those related to revenue recognition, inventory valuation, allowance for doubtful accounts, warranty and self-insured group health plan reserves, contingencies and litigation, income taxes, accounting for goodwill and long-lived assets, stock-based compensation, and business combinations. We make estimates, judgments and assumptions in determining the amounts reported in the condensed consolidated financial statements and accompanying notes. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimates are used to form the basis for making judgments about the carrying values of assets and liabilities and the amount of revenues and expenses reported that are not readily apparent from other sources. Actual results may differ from these estimates.

There have been no material changes in the Company’s Critical Accounting Policies, as disclosed in its Annual Report on Form 10-K for the fiscal year ended August 29, 2015.

Recently Issued Accounting Standards

See Note 10 to the accompanying condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposures to market risks since August 29, 2015. Please refer to the Annual Report on Form 10-K for the fiscal year ended August 29, 2015 for a complete discussion of our exposures to market risks.

Item 4. Controls and Procedures

Our senior management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Exchange Act) designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, with the participation of the Chief Executive Officer and Chief Financial Officer, as well as other key members of our management, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report, to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act) during the fiscal quarter ended February 27, 2016 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are various claims, lawsuits, and pending actions against the Company incidental to the operation of its business. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended August 29, 2015, which could materially affect our business, financial condition or future results. The risks described in the aforementioned report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be not material also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth repurchases by the Company of its outstanding shares of Class A common stock during the thirteen week period ended February 27, 2016:

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
11/29/15 - 12/28/15	62,918	$ 54.93	61,338	1,615,555
12/29/15 - 1/28/16	174,630	57.51	171,521	1,444,034
1/29/16 - 2/27/16	482	68.57	—	1,444,034
Total	238,030	$ 56.84	232,859	

(1) During the thirteen weeks ended February 27, 2016, 5,171 shares of our common stock were withheld by the Company as payment to satisfy our associates' tax withholding liability associated with our share-based compensation program and are included in the total number of shares purchased.

(2) Activity is reported on a trade date basis.

(3) During fiscal year 1999, the Board of Directors established the MSC Stock Repurchase Plan, which we refer to as the "Repurchase Plan." The total number of shares of our Class A common stock initially authorized for future repurchase was set at 5,000,000 shares. On January 8, 2008, the Board of Directors reaffirmed and replenished the Repurchase Plan and set the total number of shares of Class A common stock authorized for future repurchase at 7,000,000 shares. On October 21, 2011, the Board of Directors reaffirmed and replenished the Repurchase Plan and set the total number of shares of Class A common stock authorized for future repurchase at 5,000,000 shares. As of February 27, 2016, the maximum number of shares that may yet be repurchased under the Repurchase Plan was 1,444,034 shares. There is no expiration date for this program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits:

10.1	Amended and Restated Change in Control Agreement, dated December 3, 2014 between MSC Industrial Direct Co., Inc. and Gregory Polli.*
10.2	Change in Control Agreement, dated March 31, 2016 between MSC Industrial Direct Co., Inc. and Steven Baruch.*
10.3	Change in Control Agreement, dated March 31, 2016 between MSC Industrial Direct Co., Inc. and David Wright.*
10.4	Form of Director and Executive Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 25, 2016).
31.1	Chief Executive Officer’s Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Chief Financial Officer’s Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Filed herewith.
** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MSC Industrial Direct Co., Inc.
(Registrant)

Dated: April 6, 2016 By: /s/ ERIK GERSHWIND

President and Chief Executive Officer
(Principal Executive Officer)

Dated: April 6, 2016 By: /s/ RUSTOM JILLA

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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